



**Auditor of State
Betty Montgomery**

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -All Governmental Fund Types and Expendable Trust Fund.....	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget vs. Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund	9
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types and Non-Expendable Trust Fund.....	12
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Non-Expendable Trust Fund	13
Combined Statement of Cash Flows - All Proprietary Fund Types and Non-Expendable Trust Fund.....	15
Notes to the General Purpose Financial Statements.....	17
Schedule of Federal Awards Receipts and Expenditures.....	47
Notes to Schedule of Federal Awards Receipts and Expenditures	48
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	51
Schedule of Findings - <i>OMB Circular A-133 § .505</i>	53

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

East Guernsey Local School District
Guernsey County
229 Old National Road
P.O. Box 128
Old Washington, Ohio 43768

To the Board of Education:

We have audited the accompanying general purpose financial statements of the East Guernsey Local School District, Guernsey County, Ohio (the School 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 School 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 East Guernsey Local School District, Guernsey County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2003, on our consideration of the School 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.

East Guernsey Local School District
Guernsey County
Independent Accountants' Report
Page -2-

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

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

Betty Montgomery
Auditor of State

November 24, 2003

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**East Guernsey Local School District
Guernsey County
Combined Balance Sheet
All Fund Types and Account Groups
For the Fiscal Year Ended June 30, 2003**

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				

Assets:				

Equity in Pooled Cash and Cash Equivalents	\$2,493,542	\$128,540	\$575,540	\$6,075,909
Cash and Cash Equivalents:				
With Fiscal Agents	0	0	0	0
Investments	0	0	0	2,440,292
Receivables:				
Property & Other Local Taxes	2,153,367	45,386	396,893	0
Accounts	462	121	0	0
Intergovernmental	45,152	50,777	0	0
Accrued Interest	0	0	0	25,834
Interfund Receivable	8,123	0	0	0
Inventory Held for Resale	0	0	0	0
Materials/Supplies Inventory	36,419	0	0	0
Prepaid Items	100,598	4,318	0	0
Fixed Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
Other Debits:				

Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits:	\$4,837,663	\$229,142	\$972,433	\$8,542,035

--- Proprietary Fund Types ---		--- Fiduciary ---	----- Account Groups -----		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Obligation	(Memorandum Only)
-----	-----	-----	-----	-----	-----
\$43,681	\$0	\$65,149	\$0	\$0	\$9,382,361
0	396,428	0	0	0	396,428
0	0	44,537	0	0	2,484,829
0	0	0	0	0	2,595,646
0	0	0	0	0	583
0	0	0	0	0	95,929
0	0	156	0	0	25,990
0	0	0	0	0	8,123
8,321	0	0	0	0	8,321
1,480	0	0	0	0	37,899
6,156	0	0	0	0	111,072
160,222	0	0	12,317,270	0	12,477,492
(147,903)	0	0	0	0	(147,903)
0	0	0	0	687,203	687,203
0	0	0	0	3,700,614	3,700,614
-----	-----	-----	-----	-----	-----
\$71,957	\$396,428	\$109,842	\$12,317,270	\$4,387,817	\$31,864,587
=====	=====	=====	=====	=====	=====

(Continued)

**East Guernsey Local School District
Guernsey County
Combined Balance Sheet
All Fund Types and Account Groups
For the Fiscal Year Ended June 30, 2003**

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
----- Liabilities:				

Accounts Payable	\$8,034	\$10,520	\$0	\$4,596
Contracts Payable	0	0	0	318,444
Accrued Wages and Benefits	667,664	64,564	0	0
Compensated Absences Payable	11,369	0	0	0
Interfund Payable	0	8,123	0	0
Intergovernmental Payable	178,486	11,985	0	0
Long Term Pension Obligation	0	0	0	0
Deferred Revenue	1,632,557	33,050	285,230	0
Due to Students	0	0	0	0
Accrued Interest Payable	278	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	60,000	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities:	2,558,388	128,242	285,230	323,040
Fund Equity and Other Credits:				

Investment in				
General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:				
Reserved for Encumbrances	403,019	22,079	0	13,796,700
Reserved for Inventory	36,419	0	0	0
Reserved for Endowments	0	0	0	0
Reserved for Property Taxes	520,810	12,336	111,663	0
Unreserved:				
Unreserved, Undesignated	1,319,027	66,485	575,540	(5,577,705)
Total Fund Equity and Other Credits:	2,279,275	100,900	687,203	8,218,995
Total Liabilities, Fund Equity and Other Credits	\$4,837,663	\$229,142	\$972,433	\$8,542,035

See accompanying Notes to the General Purpose Financial Statements.

--- Proprietary Fund Types ---		--- Fiduciary ---	----- Account Groups -----		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Obligation	(Memorandum Only)
\$2,618	\$0	\$0	\$0	\$0	\$25,768
0	0	0	0	0	318,444
30,417	0	0	0	0	762,645
8,796	0	0	0	426,401	446,566
0	0	0	0	0	8,123
18,445	0	0	0	0	208,916
0	0	0	0	75,714	75,714
0	0	0	0	0	1,950,837
0	0	58,364	0	0	58,364
0	0	0	0	0	278
0	96,353	0	0	0	96,353
0	0	0	0	65,485	65,485
0	0	0	0	0	60,000
0	0	0	0	3,820,217	3,820,217
-----	-----	-----	-----	-----	-----
60,276	96,353	58,364	0	4,387,817	\$7,897,710
-----	-----	-----	-----	-----	-----
0	0	0	12,317,270	0	12,317,270
144,920	0	0	0	0	144,920
(133,239)	300,075	3,878	0	0	170,714
0	0	0	0	0	14,221,798
0	0	0	0	0	36,419
0	0	49,257	0	0	49,257
0	0	0	0	0	644,809
0	0	(1,657)	0	0	(3,618,310)
-----	-----	-----	-----	-----	-----
11,681	300,075	51,478	12,317,270	0	\$23,966,877
-----	-----	-----	-----	-----	-----
\$71,957	\$396,428	\$109,842	\$12,317,270	\$4,387,817	\$31,864,587
=====	=====	=====	=====	=====	=====

East Guernsey Local School District
Guernsey County
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues (Governmental):						
Property and Other Local Taxes	\$1,511,685	\$35,540	\$321,579	\$0	\$0	\$1,868,804
Intergovernmental	5,999,344	666,071	40,964	6,354,570	0	13,060,949
Interest	55,262	1,570	10,767	116,558	0	184,157
Tuition and Fees	76,671	0	0	0	0	76,671
Rent	8,460	0	0	0	0	8,460
Extracurricular Activities	0	141,383	0	0	0	141,383
Gifts and Donations	0	4,093	0	0	1,200	5,293
Miscellaneous	65,585	600	0	0	0	66,185
Total Revenues:	7,717,007	849,257	373,310	6,471,128	1,200	15,411,902
Expenditures:						
Instruction:						
Regular	3,688,174	187,474	0	15,713	0	3,891,361
Special	432,602	332,542	0	0	0	765,144
Vocational	277,563	0	0	0	0	277,563
Adult/Continuing	4,793	0	0	0	0	4,793
Other	26,685	0	0	0	1,250	27,935
Support services:						
Pupils	469,099	98,513	0	7,500	0	575,112
Instructional Staff	285,828	80,749	0	0	0	366,577
Board of Education	33,502	0	0	0	0	33,502
Administration	917,521	51,986	0	0	0	969,507
Fiscal	238,246	1,010	97,919	0	0	337,175
Operation/Maintenance of Plant	704,263	18,896	0	135	0	723,294
Pupil Transportation	852,128	5,242	0	0	0	857,370
Central	7,939	0	0	0	0	7,939
Extracurricular activities	139,465	109,562	0	0	0	249,027
Capital Outlay	6,525	4,978	0	1,864,318	0	1,875,821
Debt Service - Principal	18,957	0	3,861,000	0	0	3,879,957
Debt Service - Interest	11,518	0	209,119	0	0	220,637
Total Expenditures:	8,114,808	890,952	4,168,038	1,887,666	1,250	15,062,714
Excess of Revenues Over (Under) Expenditures:	(397,801)	(41,695)	(3,794,728)	4,583,462	(50)	349,188
Other Financing Sources:						
Proceeds from Sale of Notes	0	0	3,720,000	0	0	3,720,000
Refund of Prior Year Expenditures	85	0	0	0	0	85
Other Financing Sources	0	0	121,665	0	0	121,665
Operating Transfers In	0	798	0	0	0	798
Operating Transfers Out	(798)	0	0	0	0	(798)
Total Other Financing Sources	(713)	798	3,841,665	0	0	3,841,750
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(398,514)	(40,897)	46,937	4,583,462	(50)	4,190,938
Fund Balances at Beginning of Year	2,685,126	141,797	640,266	3,635,533	50	7,102,772
Increase in Reserve for Inventory	(7,337)	0	0	0	0	(7,337)
Fund Balance at End of Year	\$2,279,275	\$100,900	\$687,203	\$8,218,995	\$0	\$11,286,373

See accompanying Notes to the General Purpose Financial Statements.

East Guernsey Local School District
Guernsey County
Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget vs. Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2003

	-----General Fund-----			-----Special Revenue Fund-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,424,493	\$1,430,400	\$5,907	\$32,200	\$35,169	\$2,969
Intergovernmental	5,950,681	5,964,585	13,904	722,186	627,138	(95,048)
Interest	54,100	55,262	1,162	1,400	1,570	170
Tuition and Fees	66,147	77,401	11,254	0	0	0
Rent	8,500	8,460	(40)	0	0	0
Extracurricular Activities	0	0	0	133,650	141,499	7,849
Gifts and Donations	0	0	0	5,200	4,093	(1,107)
Miscellaneous	3,960	65,208	61,248	0	600	600
Total Revenues:	7,507,881	7,601,316	93,435	894,636	810,069	(84,567)
Expenditures:						
Current:						
Instruction:						
Regular	3,993,106	3,836,615	156,491	206,420	187,910	18,510
Special	476,103	428,732	47,371	350,368	322,928	27,440
Vocational	308,487	295,185	13,302	0	0	0
Adult/Continuing	4,800	4,793	7	0	0	0
Other	30,771	27,365	3,406	0	0	0
Support services:						
Pupils	512,240	480,439	31,801	110,054	107,390	2,664
Instructional Staff	345,153	286,438	58,715	96,225	86,205	10,020
Board of Education	40,980	35,613	5,367	0	0	0
Administration	967,587	943,932	23,655	55,424	52,494	2,930
Fiscal	249,793	244,370	5,423	1,100	1,010	90
Operation/Maintenance of Plant	815,256	774,682	40,574	47,306	18,896	28,410
Pupil Transportation	1,047,927	1,028,884	19,043	15,047	7,909	7,138
Central	11,000	7,606	3,394	0	0	0
Extracurricular activities	143,984	140,054	3,930	129,926	118,242	11,684
Capital Outlay	7,025	6,525	500	2,585	7,196	(4,611)
Debt Service - Principal	0	0	0	0	0	0
Debt Service - Interest	0	0	0	0	0	0
Total Expenditures:	8,954,212	8,541,233	412,979	1,014,455	910,180	104,275
Excess of Revenues Over (Under) Expenditures:	(1,446,331)	(939,917)	506,414	(119,819)	(100,111)	19,708
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	85	85	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Operating Transfers In	0	0	0	798	798	0
Advances In	0	0	0	0	8,123	8,123
Other Financing Sources	0	0	0	0	0	0
Operating Transfers Out	(800)	(798)	2	0	0	0
Advances Out	0	(8,123)	(8,123)	0	0	0
Total Other Financing Sources (Uses)	(800)	(8,836)	(8,036)	798	8,921	8,123
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(1,447,131)	(948,753)	498,378	(119,021)	(91,190)	27,831
Fund Balances at Beginning of Year	2,629,729	2,629,729	0	135,424	135,424	0
Prior Year Encumbrances Appropriated	401,332	401,332	0	51,759	51,759	0
Fund Balance at End of Year	\$1,583,930	\$2,082,308	\$498,378	\$68,162	\$95,993	\$27,831

See accompanying Notes to the General Purpose Financial Statements.

East Guernsey Local School District
Guernsey County
Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget vs. Actual (Budget Basis) (continued)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2003

	-----Debt Service Fund-----			-----Capital Projects Fund-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$388,990	\$377,784	(\$11,206)	\$0	\$0	\$0
Intergovernmental	38,000	41,138	3,138	19,284,365	6,354,570	(12,929,795)
Interest	8,769	10,767	1,998	91,540	104,120	12,580
Tuition and Fees	0	0	0	0	0	0
Rent	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues:	435,759	429,689	(6,070)	19,375,905	6,458,690	(12,917,215)
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	6,942	19,630	(12,688)
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support services:						
Pupils	0	0	0	7,500	7,500	0
Instructional Staff	0	0	0	12,688	0	12,688
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	99,896	97,919	1,977	0	0	0
Operation/Maintenance of Plant	0	0	0	0	135	(135)
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Extracurricular activities	0	0	0	0	0	0
Capital Outlay	0	0	0	15,612,125	15,653,301	(41,176)
Debt Service - Principal	4,032,280	3,916,000	116,280	0	0	0
Debt Service - Interest	106,130	214,109	(107,979)	0	0	0
Total Expenditures:	4,238,306	4,228,028	10,278	15,639,255	15,680,566	(41,311)
Excess of Revenues Over (Under) Expenditures:	(3,802,547)	(3,798,339)	4,208	3,736,650	(9,221,876)	(12,958,526)
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Proceeds from Sale of Bonds	3,720,000	3,720,000	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Other Financing Sources	89,876	121,665	31,789	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	3,809,876	3,841,665	31,789	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	7,329	43,326	35,997	3,736,650	(9,221,876)	(12,958,526)
Fund Balances at Beginning of Year	532,214	532,214	0	3,422,094	3,422,094	0
Prior Year Encumbrances Appropriated	0	0	0	161,815	161,815	0
Fund Balance at End of Year	\$539,543	\$575,540	\$35,997	\$7,320,559	(\$5,637,967)	(\$12,958,526)

See accompanying Notes to the General Purpose Financial Statements.

	-----Expendable Trust Fund-----			-----Totals (Memorandum Only)-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$1,845,683	\$1,843,353	(2,330)
Intergovernmental	0	0	0	25,995,232	12,987,431	(13,007,801)
Interest	0	0	0	155,809	171,719	15,910
Tuition and Fees	0	0	0	66,147	77,401	11,254
Rent	0	0	0	8,500	8,460	(40)
Extracurricular Activities	0	0	0	133,650	141,499	7,849
Gifts and Donations	1,200	1,200	0	6,400	5,293	(1,107)
Miscellaneous	0	0	0	3,960	65,808	61,848
Total Revenues:	1,200	1,200	0	28,215,381	15,300,964	(12,914,417)
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	4,206,468	4,044,155	162,313
Special	0	0	0	826,471	751,660	74,811
Vocational	0	0	0	308,487	295,185	13,302
Adult/Continuing	0	0	0	4,800	4,793	7
Other	1,250	1,250	0	32,021	28,615	3,406
Support services:						
Pupils	0	0	0	629,794	595,329	34,465
Instructional Staff	0	0	0	454,066	372,643	81,423
Board of Education	0	0	0	40,980	35,613	5,367
Administration	0	0	0	1,023,011	996,426	26,585
Fiscal	0	0	0	350,789	343,299	7,490
Operation/Maintenance of Plant	0	0	0	862,562	793,713	68,849
Pupil Transportation	0	0	0	1,062,974	1,036,793	26,181
Central	0	0	0	11,000	7,606	3,394
Extracurricular activities	0	0	0	273,910	258,296	15,614
Capital Outlay	0	0	0	15,621,735	15,667,022	(45,287)
Debt Service - Principal	0	0	0	4,032,280	3,916,000	116,280
Debt Service - Interest	0	0	0	106,130	214,109	(107,979)
Total Expenditures:	1,250	1,250	0	29,847,478	29,361,257	486,221
Excess of Revenues Over (Under) Expenditures:	(50)	(50)	0	(1,632,097)	(14,060,293)	(12,428,196)
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	85	85
Proceeds from Sale of Bonds	0	0	0	3,720,000	3,720,000	0
Operating Transfers In	0	0	0	798	798	0
Advances In	0	0	0	0	8,123	8,123
Other Financing Sources	0	0	0	89,876	121,665	31,789
Operating Transfers Out	0	0	0	(800)	(798)	2
Advances Out	0	0	0	0	(8,123)	(8,123)
Total Other Financing Sources (Uses)	0	0	0	3,809,874	3,841,750	31,876
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(50)	(50)	0	2,177,777	(10,218,543)	(12,396,320)
Fund Balances at Beginning of Year	50	50	0	6,719,511	6,719,511	0
Prior Year Encumbrances Appropriated	0	0	0	614,906	614,906	0
Fund Balance at End of Year	\$0	\$0	\$0	\$9,512,194	(\$2,884,126)	(\$12,396,320)

See accompanying notes to the General Purpose Financial Statements.

East Guernsey Local School District
Guernsey County
Combined Statement of Revenues, Expenses and
Changes in Fund Equity
All Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 2003

	Proprietary Fund Types		Fiduciary	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
Operating Revenues:				
Tuition	\$160	\$0	\$0	\$160
Sales	\$188,559	\$0	\$0	\$188,559
Charges for Services	0	977,155	0	977,155
Interest	0	0	1,723	1,723
Contributions and Donations	0	0	200	200
Proceeds from Sale of Fixed Assets	0	0	0	0
Total Operating Revenues:	188,719	977,155	1,923	1,167,797
Operating Expenses:				
Salaries	141,987	0	0	141,987
Fringe Benefits	82,726	7,528	0	90,254
Purchased Services	3,316	202,099	0	205,415
Materials and Supplies	28,804	0	0	28,804
Cost of Sales	194,943	0	0	194,943
Depreciation	2,656	0	0	2,656
Claims	0	801,134	0	801,134
Other Operating Expenses	1,178	0	3,800	4,978
Total Operating Expenses:	455,610	1,010,761	3,800	1,470,171
Operating Income (Loss):	(266,891)	(33,606)	(1,877)	(302,374)
Non-Operating Revenues (Expenses):				
Federal Donated Commodities	29,778	0	0	29,778
Interest	392	6,131	0	6,523
Federal and State Subsidies	197,337	0	0	197,337
Total Non-Oper. Revenues (Expenses)	227,507	6,131	0	233,638
Net Income (Loss)	(39,384)	(27,475)	(1,877)	(68,736)
Retained Earnings/Fund Balance (Deficit) at Beginning of Year	(93,855)	327,550	53,355	287,050
Retained Earnings/Fund Balance (Deficit) at End of Year	(133,239)	300,075	51,478	218,314
Contributed Capital at Beginning of Year	144,920	0	0	144,920
Capital Contributions During the Year	0	0	0	0
Contributed Capital at End of Year	144,920	0	0	144,920
Total Fund Equity at End of Year	\$11,681	\$300,075	\$51,478	\$363,234

See accompanying Notes to the General Purpose Financial Statements.

East Guernsey Local School District
Guernsey County
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget vs. Actual (Budget Basis)
All Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 2003

	Enterprise			Internal Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:						
Tuition	0	160	\$160	0	0	0
Sales	184,885	188,521	\$3,636	0	0	0
Charges for Services	0	0	\$0	916,191	977,155	60,964
Interest	0	0	\$0	0	0	0
Contributions and Donations	0	0	\$0	0	0	0
Proceeds from Sale of Fixed Asset	0	38	\$38	0	0	0
Total Operating Revenues:	184,885	188,719	3,834	916,191	977,155	60,964
Operating Expenses:						
Salaries	137,479	134,394	3,085	0	0	0
Fringe Benefits	72,935	82,985	(10,050)	9,101	7,528	1,573
Purchased Services	4,310	3,601	709	185,434	202,099	(16,665)
Materials and Supplies	210,756	201,221	9,535	0	0	0
Claims	0	0	0	1,056,884	819,041	237,843
Other	1,350	1,178	172	0	0	0
Capital Outlay	0	0	0	0	0	0
Total Operating Expenses:	426,830	423,379	3,451	1,251,419	1,028,668	222,751
Operating Income (Loss):	-241,945	-234,660	7,285	-335,228	-51,513	283,715
Other Financing Sources (Uses):						
Non-Operating Revenues						
Interest	1,100	392	(708)	5,869	6,131	262
Federal and State Subsidies	169,100	197,337	28,237	0	0	0
Total Other Financing Sources (Uses):	170,200	197,729	27,529	5,869	6,131	262
Excess of Revenues Over (Under) Expenses:	(71,745)	(36,931)	34,814	(329,359)	(45,382)	283,977
Fund Equity at Beginning of Year	63,718	63,718	0	441,810	441,810	0
Prior Year Encumbrances Appropriated	8,685	8,685	0	0	0	0
Fund Equity at End of Year	\$658	\$35,472	\$34,814	\$112,451	\$396,428	\$283,977

See accompanying Notes to the General Purpose Financial Statements.

East Guernsey Local School District
Guernsey County
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget vs. Actual (Budget Basis) (Continued)
Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 2003

	----- Fiduciary Fund Type ----- ----- Non-Expendable Trust -----			----- Totals ----- ----- (Memorandum Only) -----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:						
Tuition	0	0	0	0	160	160
Sales	0	0	0	184,885	188,521	3,636
Charges for Services	0	0	0	916,191	977,155	60,964
Interest	2,460	2,389	(71)	2,460	2,389	(71)
Contributions and Donations	0	200	200	0	200	200
Proceeds from Sale of Fixed Asset	0	0	0	0	38	38
Total Operating Revenues:	2,460	2,589	129	1,103,536	1,168,463	64,927
Operating Expenses:						
Salaries	0	0	0	\$137,479	\$134,394	\$3,085
Fringe Benefits	0	0	0	82,036	90,513	(8,477)
Purchased Services	0	0	0	189,744	205,700	(15,956)
Materials and Supplies	0	0	0	210,756	201,221	9,535
Claims	0	0	0	1,056,884	819,041	237,843
Other	3,800	3,800	0	5,150	4,978	172
Capital Outlay	0	0	0	0	0	0
Total Operating Expenses:	3,800	3,800	0	1,682,049	1,455,847	226,202
Operating Income (Loss):	(1,340)	(1,211)	129	(578,513)	(287,384)	291,129
Other Financing Sources (Uses):						
Non-Operating Revenues						
Interest	0	0	0	6,969	6,523	(446)
Federal and State Subsidies	0	0	0	169,100	197,337	28,237
Total Other Financing Sources (Uses):	0	0	0	176,069	203,860	27,791
Excess of Revenues Over (Under) Expenses:	(1,340)	(1,211)	129	(402,444)	(83,524)	318,920
Fund Equity at Beginning of Year	52,033	52,033	0	557,561	557,561	0
Prior Year Encumbrances Appropriated	500	500	0	9,185	9,185	0
Fund Equity at End of Year	\$51,193	\$51,322	\$129	\$164,302	\$483,222	\$318,920

See accompanying Notes to the General Purpose Financial Statements.

**East Guernsey Local School District
Guernsey County
Combined Statement of Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 2003**

	-----Proprietary Fund Types-----		----Fiduciary----	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$188,681	\$0	\$0	\$188,681
Cash Received from Contributions and Donations	0	0	200	200
Cash Received from Other Operating Sources	38	0	0	38
Cash Received from Quasi-External Transactions with Other Funds	0	977,155	0	977,155
Cash Payments to Suppliers for Goods and Services	(196,613)	(209,627)	0	(406,240)
Cash Payments to Employees for Services	(134,394)	0	0	(134,394)
Cash Payments for Employee Benefits	(82,985)	0	0	(82,985)
Cash Payments for Claims	0	(819,041)	0	(819,041)
Cash Payments for Scholarships	0	0	(3,800)	(3,800)
Other Operating Expenses	(1,178)	0	0	(1,178)
Net Cash (Used for) Operating Activities	(226,451)	(51,513)	(3,600)	(281,564)
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	197,337	0	0	197,337
Net Provided by Non-capital Financing Activities	197,337	0	0	197,337
Cash Flows from Investing Activities:				
Interest on Investments	392	6,131	2,389	8,912
Net Cash Provided by Investing Activities	392	6,131	2,389	8,912
Net Increase (Decrease) in Cash and Cash Equivalents	(28,722)	(45,382)	(1,211)	(75,315)
Cash and Cash Equivalents at Beginning of Year	72,403	441,810	7,996	522,209
Cash and Cash Equivalents at End of Year	\$43,681	\$396,428	\$6,785	\$446,894
	=====	=====	=====	=====

(Continued)

**East Guernsey Local School District
Guernsey County
Combined Statement of Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 2003**

	-----Proprietary Fund Types-----		----Fiduciary---- Non-Expendable Trust	Totals (Memorandum Only)
	Enterprise	Internal Service		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(266,891)	(33,606)	(1,877)	(302,374)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Depreciation	2,656	0	0	2,656
Donated Commodities Used During Year	29,778	0	0	29,778
Interest	0	0	(1,723)	(1,723)
Changes in Assets and Liabilities:				
Increase in Prepaid Items	(2,398)	0	0	(2,398)
Increase in Inventory Held for Resale	(594)	0	0	(594)
Decrease in Materials and Supplies Inventory	544	0	0	544
Increase in Accounts Payable	447	0	0	447
Increase in Accrued Wages	6,445	0	0	6,445
Increase in Compensated Absences Payable	1,148	0	0	1,148
Increase in Intergovernmental Payable	2,414	0	0	2,414
Decrease in Claims Payable	0	(17,907)	0	(17,907)
Total Adjustments	40,440	(17,907)	(1,723)	20,810
Net Cash (Used for) Operating Activities	(226,451)	(51,513)	(3,600)	(281,564)
Reconciliation:				
Trust and Agency Cash & Cash Equivalents			65,149	
Less: Expendable Trust Fund Cash & Cash Equivalents			0	
Less: Agency Funds Cash & Cash Equivalents			(58,364)	
Non-Expendable Trust Fund Cash & Cash Equivalents			6,785	

Non-Cash Transactions:

(1) During fiscal year 2003, the School District received \$29,778 in federal donated commodities.

See accompanying Notes to the General Purpose Financial Statements.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The East Guernsey Local School District was formed in 1976 with the consolidation of Zane Trace Local Schools and Madison Consolidated Local Schools. The School District is located in southeastern Ohio and encompasses the eastern 45% of Guernsey County.

The East Guernsey Local School District operates under a locally elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The School Board controls the School District's five instructional/support facilities, which are staffed by 64 classified employees, 84 certified teaching employees, and 8 administrators, who provide services to approximately 1,261 students and other community members.

A. Reporting Entity

The financial reporting entity may consist of: a) the primary government, b) component units which are legally separate organizations which are fiscally dependent on the School District or for which the School District is financially accountable, and c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In this School District, no separate governmental units meet the criteria for inclusion as a component unit.

The East Guernsey Local School District provides more than instruction to its students. These additional services include student guidance, extracurricular activities, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. The School District operations form the oversight unit and are included as part of the reporting entity.

B. Potential Component Units - Excluded

The following potential component units have been excluded from the School District's financial statements because the School District is not financially accountable for these organizations, nor are these entities for which the School District approves the budget, the issuance of debt or the levying of taxes.

Guernsey-Monroe-Noble Educational Service Center (GMNESC)

The Guernsey-Monroe-Noble Educational Service Center is affiliated with the East Guernsey Local School District as mandated by Ohio Revised Code and provides services with funds received for that purpose from state and federal funding sources. Other services are provided on a contractual basis. The GMNESC is a separate body politic and board members are elected independently of any School District relationships.

The East Guernsey Local School District has no involvement in the selection of employees, budgeting, or management of the GMNESC. The Guernsey-Monroe-Noble Educational Service Center is not considered part of the School District and its operations are not included within the accompanying financial statements.

Head Start Program of the Guernsey-Monroe-Noble Tri-County Community Action Committee

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Beginning with the 1991-92 school year, the School District entered into an agreement with the Guernsey-Monroe-Noble (GMN) Tri-County Community Action Committee (CAC) to house two of its Head Start program units in the Quaker City Elementary and Madison Elementary buildings. Head Start is a program to provide services to preschool children based on income eligibility requirements. The program serves children from the School District and surrounding areas.

Head Start is operated by the GMN Tri-County CAC, which is governed by an independently appointed Board of Directors. The Board of Directors is in charge of all budgetary processes for the CAC. The East Guernsey Local School District has no control over CAC Board processes, and only provides space and meals in exchange for reimbursement.

Boosters: Athletic, Music and Academic; Parent-Teacher Organizations

The East Guernsey Local School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the school support organizations that operate within the School District. The activity of these organizations will not be included as a part of the financial statements.

Jointly Governed Organizations and Public Entity Pools

The School District is involved with the Ohio Mid Eastern Regional Educational Service Agency (OMERESA), and the Mid East Ohio Vocational School District, (MEOVSD) which are defined as jointly governed organizations, and the Ohio Mid Eastern Regional Educational Service Agency (OMERESA) Health Benefits Plan self insurance consortium, and the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP) workers' compensation insurance purchasing pool, which are defined as public entity pools. Additional information concerning the jointly governed organizations and the public entity pools is presented in Note 8 and Note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board statements issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

A. Basis of Presentation - Fund Accounting

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

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

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

GOVERNMENTAL FUND TYPES:

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

General Fund - The general fund is the operating fund of the School 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 School District for any purpose, provided it is expended or transferred according to the general laws of Ohio.

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

Debt Service Funds - The debt service funds are 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, renovation or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

PROPRIETARY FUND TYPES:

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

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, non-expendable trust, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Expendable Trust Funds - The expendable trust funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

Non-expendable Trust Funds - The non-expendable trust funds are accounted for in essentially the same manner as proprietary funds; the principal of the trust must be preserved intact.

Agency Funds - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

ACCOUNT GROUPS:

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

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

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

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

B. Measurement Focus and Basis of Accounting

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

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and non-expendable trust fund types operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The documents involved include the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed established resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The School District budgets agency funds as well, but only as a local control measure and not for compliance purposes. Advances between funds are not required to be appropriated. The primary level of budgetary control is at the object level within each function for the General Fund. All other funds are appropriated at the fund level, that being the primary level of budgetary control. Any budgetary modifications at the primary level of budgetary control may only be made by resolution of the Board of Education.

Tax Budget:

In accordance with the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method which has been approved by school districts in the County. Under this alternative method, the County Budget Commission has waived the requirement for the School District to adopt a tax budget; the Commission does require that the School District provide fiscal reports and projections on an annual basis.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Guernsey County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The estimated revenues which appear on the financial statements reflect the estimated resource amounts at the time the final appropriations were passed.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriations resolution must be legally enacted by the Board of Education at the primary levels of budgetary control. Prior to the passage of the annual appropriations measure, the Board may pass a temporary appropriations measure to meet the ordinary expenses of the School District. The appropriations resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the primary level of budgetary control. Any revisions that alter total function appropriations within the General fund, or alter object appropriations within functions of the General fund, or any revisions which alter the total of any other fund appropriation, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted, none of which were individually significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except Agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of moneys are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. These reservations are referred to as encumbrances. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and are reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents/Investments

To improve cash management, all cash received by the School District (except for funds from state and local sources for the Ohio School Facilities construction project) is pooled in a central bank account. A second account exists for the construction funds to maintain a proper segregation of funds. In addition, the School District has one depository clearing account, which receives deposits from Quaker City Elementary during the school year, and is cleared into the central bank account at the end of each month. Moneys for all funds, including proprietary funds, are maintained in the depository clearing account, the central bank account, or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pooled bank account is presented as *equity in pooled cash and cash equivalents* on the

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

balance sheet. During the fiscal year 2003, investments included STAROhio and Federal Home Loan Mortgage Corporation notes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District participates in the OMERESA insurance consortium for self insurance (see Note 9). This results in moneys held separate from the School District's central bank account by the consortium. These moneys are reflected in the School District's financial statements as *cash and cash equivalents with fiscal agents*.

The School District invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during the fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds and capital projects funds. The East Guernsey Local School District distributes interest to the food service fund, expendable and non-expendable trust funds, public support funds, activity complex fund and student activity (both special revenue and agency) funds based on fund balances at the end of each month. The remainder of interest earned is credited to the general fund. In addition, the internal service self insurance fund earns and is credited interest by the fiscal agent. Interest revenue earned by the School District in fiscal year 2003 totaled \$192,403 for all funds.

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

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased and as an expense in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food held for resale.

F. Prepaid Items

Payments made to vendors during the fiscal year 2003 for services that will benefit periods beyond June 30, 2003 are recorded as prepaid items. The School District uses the consumption method to record a current asset for the prepaid amount and reflect the expenditure/expense in the year in which services are consumed.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the *general fixed assets account group*. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and/or retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars (\$500). The School District does not possess any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets, with the length of useful life as determined by the School District's fixed asset appraisal company, American Appraisal. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of seven to fifteen years.

H. Estimates

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

I. Compensated Absences

The School District follows the provisions of GASB Statement 16, 'Accounting for Compensated Absences'. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The School District records a liability for accumulated unused sick leave for employees to the extent it is probable that the benefits will result in termination payments based upon an estimate of past experience of making termination payments for sick leave. For purposes of establishing a liability for severance on employees expected to become eligible in the future, certified employees with accumulated unused sick leave balances who have ten years of current service with the School District and administrative and/or non-certified employees who meet the requirements set forth by the School Employees Retirement System or the State Teachers Retirement System are considered eligible. The School District determines the probability criteria based upon historical employment trends and negotiated agreements.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. This amount is recorded in the account *compensated absences payable* in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the *general long-term obligation account group*. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

J. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds and not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. After fiscal year 2000, capital contributions received from other governments and private sources are recorded as revenues and are reported as retained earnings based on new guidelines established by GASB Statement 33, "Accounting and Reporting for Nonexchange Transactions." Capital contributions from other funds are still recorded as contributed capital. There was no change in contributed capital during Fiscal Year 2003.

K. Long-term Obligations

Long-term obligations are recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. 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 governmental fund. The remaining portion of such obligation is reported in the *general long-term obligations account group*. Long-term obligations expected to be financed from proprietary fund operations are accounted for in that fund.

Under Ohio Law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, a portion of the School District's debt service fund, the ten year Energy Conservation Bonds, has been combined with the appropriate fund. Debt service fund resources used to pay both principal and interest have also been allocated accordingly. That portion of the debt retirement fund used for payment of General Obligation Bonds or Bond Anticipation Notes is reported in the *general long term obligations account group*.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfer. All other inter-fund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. *Unreserved fund balance* indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, and endowments for non-expendable trust fund contributions that must be kept intact.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

The *reserve for property taxes* represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The *reserve for endowments* signifies the legal restrictions on the use of principal.

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements 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 cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2003 four Special Revenue Funds and the Food Service, Enterprise Fund had deficit fund balance/retained earnings as listed:

	<u>Fund Balance/ Retained Earnings</u>
Special Revenue Fund	
ONENet Grant	(\$91)
Part B IDEA	(\$1,785)
Title I	(\$13,949)
Twenty First Century Grant	(\$12,033)
Enterprise Fund	
Food Service	(\$133,239)

The listed Special Revenue Funds had a deficit fund balance resulting from expenditures made in excess of available revenues on a GAAP basis. The General Fund provides advances to cover deficit balances in the Special Revenue Funds; however, this is done when cash is needed rather than when accruals occur. The Food Service retained earnings deficit resulted from application of generally accepted accounting principles. The School District will review operations to determine if steps need to be taken to insure that the funds are self sustaining.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

B. Compliance

All funds and accounts were in legal compliance with the Ohio Revised Code.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance and retained earnings 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, disbursements and encumbrances. The *Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget vs. Actual (Budget Basis)*, *All Governmental Fund Types and Expendable Trust Fund* and the *Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget vs. Actual (Budget Basis)*, *Proprietary Fund Types and Non-Expendable Trust Funds* are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on bond and short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Principal and interest payments on notes and the corresponding revenues are reported in a debt service fund (budget basis) rather than in the fund that received the proceeds (GAAP basis).

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

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Financing Uses for
Governmental Fund Types and Expendable Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$(398,514)	\$ (40,897)	\$46,937	\$4,583,462	\$(50)
Net Adjustment for Revenue Accruals	(115,691)	(39,188)	56,379	(12,438)	0
Net Adjustment for Expenditure Accruals	(45,666)	13,317	0	323,040	0
Debt Service:					
Principal	18,957	0	(55,000)	0	0
Interest and Fiscal Charges	11,518	0	(4,990)	0	0
Advances - In	0	8,123	0	0	0
Advances - Out	(8,123)	0	0	0	0
Adjustment for Encumbrances	<u>(411,234)</u>	<u>(32,545)</u>	<u>0</u>	<u>(14,115,940)</u>	<u>0</u>
Budget Basis	<u>\$(948,753)</u>	<u>\$(91,190)</u>	<u>\$ 43,326</u>	<u>\$(9,221,876)</u>	<u>\$(50)</u>

Net Income (Loss)/Excess of Revenues
Over/(Under) Expenses for
Proprietary Funds Types and Non Expendable Trust Funds

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>
GAAP Basis	\$ (39,384)	\$(27,475)	\$ (1,877)
Net Adjustment for Revenue Accruals	(29,778)	0	666
Net Adjustment for Expense Accruals	37,784	(17,907)	0
Depreciation Expense	2,656	0	0
Adjustment for Encumbrances	<u>(8,209)</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>\$(36,931)</u>	<u>\$(45,382)</u>	<u>\$(1,211)</u>

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes require the classification of moneys held by the School District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim moneys are those moneys 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 or deposit accounts including passbook accounts.

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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in #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 Treasurer's investment pool (STAROhio, per discussion in Note 2D);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days and in an amount not to exceed 25 percent of the interim deposits available for investment at any one time; and

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as 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.

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 School 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. In compliance with state mandates, the School District has developed an investment policy, and the Treasurer attends investment training annually.

At June 30, 2003 the School District's self insurance internal service fund had a cash balance of \$396,428 with OMERESA Health Benefits Plan, a claims servicing pool (see discussion under Note 9). The money is held by the fiscal agent in a pooled account which is representative of numerous member districts and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OMERESA Health Benefits Plan as a whole may be obtained from the fiscal agent, the Jefferson County Educational Service Center. To obtain information, write to the Ohio Mid Eastern Regional Education Service Agency Health Benefits Plan, Debra Campana, 2023 Sunset Boulevard, Steubenville, Ohio, 43952.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

- A. Deposits At fiscal year end, the carrying amount of the School District's deposits was \$3,340,893 and the bank balance was \$822,502. Of the bank balance, \$171,202 was covered by federal depository insurance, and \$651,300 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department, but not in the School District's name, and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the money held in the School District's name to a successful claim by the FDIC.
- B. Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter-party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

The carrying value and market value of the School District's STAROhio account on June 30, 2003 was \$6,086,005.

	<u>Category 2</u>	<u>Carrying and Fair Value</u>
Federal Home Loan Mortgage Notes	\$2,440,292	\$2,440,292
STAROhio	<u>0</u>	<u>6,086,005</u>
Totals	<u>\$2,440,292</u>	<u>\$8,526,297</u>

The federal agency securities have maturities ranging from January 2004 through April 2004.

The classifications of *cash and cash equivalents* and *investments* on the combined financial statements are based on criteria set forth in GASB Statement 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". Cash and cash equivalents are defined to include investments of the cash management pool and investments with maturities of three months or less at the time of their purchase by the School District. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 9,382,361	\$ 2,484,829
Investments:		
Certificates of Deposit	44,537	(44,537)
STAROhio	<u>(6,086,005)</u>	<u>6,086,005</u>
GASB Statement 3	<u>\$ 3,340,893</u>	<u>\$ 8,526,297</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>2003 Second- Half Values</u>		<u>2004 First- Half Values</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$64,069,160	84.95%	\$65,792,600	85.68%
Public Utility Personal	7,951,870	10.54	8,094,490	10.54
Tangible Personal Property	<u>3,400,190</u>	<u>4.51</u>	<u>2,905,300</u>	<u>3.78</u>
Total Assessed Values	<u>\$75,421,220</u>	<u>100.00%</u>	<u>\$76,792,390</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation:		\$ 31.60		\$ 31.60

The East Guernsey Local School District receives property taxes from Guernsey County. The County Auditor periodically advances to the School District its portion of the tax collected. Second-half real property tax payments collected by the County by June 30, 2003 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued *property taxes receivable* represent delinquent taxes outstanding and real property taxes, tangible personal property taxes and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is reflected as a reservation of fund balance. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2003, was \$520,810 in the General Fund, \$111,663 in the Debt Service Fund and \$12,336 in the Facilities Maintenance Fund. The amount available as an advance at June 30, 2002 was \$499,515 in the General Fund, \$107,878 in the Debt Service Fund and \$11,965 in the Facilities Maintenance Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (fees and tuition) and intergovernmental grants and reimbursements. All receivables are considered collectable in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables appears in the following table.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

<u>Intergovernmental Receivables</u>	<u>Amount</u>	
General Fund:		
CAFS Reimbursement	\$ 22,324	
Appalachian Grant receipt	<u>22,828</u>	
Total General Fund:		\$45,152
Special Revenue Funds:		
Title II-A Fund:		
Federal Grant receipts	9,954	
Part B IDEA Fund:		
Federal Grant Receipts	16,581	
Title I Fund:		
Federal Grant Receipts	24,228	
Title V Fund:		
Federal Grant receipts	<u>14</u>	
Total Special Revenue Funds:		\$50,777
Total Intergovernmental Receivables:		<u>\$95,929</u>

NOTE 8 - JOINTLY GOVERNED ORGANIZATIONS

Mid East Ohio Vocational School District

The Mid East Ohio Vocational School District (MEOVSD) is a jointly governed organization providing vocational services to its thirteen member school districts. The MEOVSD is governed by a board of education consisting of thirteen members appointed by the participating schools. The board controls the financial activity of the MEOVSD and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the MEOVSD is not dependent on the School District's continued participation and no equity interests exist.

Ohio Mid-Eastern Regional Education Service Agency

The School District is a participant in the Ohio Mid-Eastern Regional Educational Service Agency (OMERESA), a jointly governed organization created as a regional council of governments pursuant to state statutes. OMERESA provides financial accounting services, educational management information services, cooperative purchase services and legal services to member districts. Each member district pays an annual fee for services provided by OMERESA. OMERESA is governed by a board of directors which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OMERESA is limited to its voting authority and any representation it may have on the board of directors. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. The School District paid OMERESA \$25,231 for services provided during the fiscal year. The continued existence of OMERESA is not dependent on the School District's continued participation and no equity interests exist. OMERESA has no outstanding debt.

East Central Ohio - Special Education Regional Resource Center (ECO-SERRC)

The East Central Ohio Special Education Regional Resource Center (ECO-SERRC) is a ten-county special

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The ECO-SERRC is governed by a board composed of superintendents of member school districts in East Central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of Mental Retardation Developmental Disabilities and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the board. There is no financial commitment made by the districts involved in ECO-SERRC. ECO-SERRC is not financially dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO-SERRC. Financial information can be obtained by contacting Julie Lynch, Treasurer, at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

NOTE 9 - PUBLIC ENTITIES POOLS

As mentioned earlier (see Note 1), the School District participates in public entity pools that facilitate the acquisition of services in a cost effective manner by combining administration, financing and other aspects with other public entities (districts). Those pools are discussed in more detail in the following paragraphs.

A. Insurance Purchasing Pool

The School District participates in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), a workers' compensation insurance purchasing pool. 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 (OSBA). The Executive Director of the OSBA, or his/her designee, serves as the coordinator of the program. Each year 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 School 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 for the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". The 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, as well as management of the School District's unemployment costs and claims.

B. Claims Servicing Pool

The School District belongs to the Ohio Mid Eastern Regional Educational Service Agency (OMERESA) Health Benefits Plan, a self insurance pool comprised of 50 member school districts. Each member district has a voting interest in the pool. The Plan's business and affairs are conducted by a nine member

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Board of Directors elected by the member districts. Each member pays a monthly premium based on their claims history plus a monthly administrative fee. All participating members retain their risk and the plan acts as a claims servicing agent. The OMERESA serves as fiscal agent for the Plan, and Self Funded Plans, Inc serves as the School District's third party administrator.

NOTE 10 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2003 follows:

Furniture and Equipment	\$160,222
Less: Accumulated depreciation	<u>(147,903)</u>
Net Fixed Assets	<u>\$ 12,319</u>

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

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Land	\$ 72,901	\$ 0	\$ 0	\$ 72,901
Land Improvements	421,709	3,010	0	424,719
Buildings and Improvements	7,345,266	0	0	7,345,266
Machinery/Equipment/ Furniture/Fixtures	1,401,806	100,494	13,997	1,488,303
Vehicles	1,176,906	4,535	58,988	1,122,453
Construction In Progress	<u>0</u>	<u>1,863,628</u>	<u>0</u>	<u>1,863,628</u>
Totals	<u>\$10,418,588</u>	<u>\$ 1,971,667</u>	<u>\$ 72,985</u>	<u>\$12,317,270</u>

The School District does not include textbooks in its fixed assets inventory.

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with the Ohio School Insurance Program/Marsh USA Inc for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible for other property losses and a \$500 deductible for crimes. Professional and general liability is protected by the Harcum-Hyre/Ohio School Plan Insurance with a \$1,000,000 single occurrence limit and \$3,000,000 general aggregate limit, and no deductible. Vehicles are covered by the Harcum-Hyre/Ohio School Plan Educational Automobile Insurance plan and have \$1,000 deductible for comprehensive and a \$1,000 deductible for collision for school buses. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past twenty years. There have been no significant reductions in insurance coverage from last year.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

Health and dental coverage are provided on a self-insured basis through Ohio Mid Eastern Regional Education Service Agency Health Benefits Plan. The third party administrator, Self Funded Plans, Inc reviews and pays the claims. The School District pays monthly premiums of \$837.30 for family coverage (full rate is \$916.74) and \$346.16 for individual coverage (full rate is \$378.99). Premiums for dental coverage are \$42.71 monthly for family and \$17.01 monthly for single coverage, paid in full by the Board of Education. Vision insurance is available to employees enrolling in a mandatory steerage preferred provider organization plan. Those premiums are \$19.49 per month for family coverage, \$8.71 per month for single coverage and are paid in full by the Board of Education. Premiums are charged to the same funds that pay the employees' salaries.

The claims liability of \$96,353 reported in the Internal Service fund at June 30, 2003 is based on the requirements of GASB Statement 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on records of actual fiscal year 2003 claims paid July 1, 2003 through August 31, 2003, and estimated costs for fiscal year 2003 claims to be paid in September 2003. Changes in the funds' claims liability in 2002 and 2003 were:

	<u>Balance at</u> <u>Beginning Of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at End</u> <u>Of Year</u>
2002	\$ 95,290	912,581	893,611	\$114,260
2003	\$ 114,260	801,133	819,040	\$ 96,353

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension benefit 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of the annual salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amount, by the School Employees Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ending June 30, 2003, 2002 and 2001 were \$176,270, \$157,797, and \$140,949 respectively; 57.05 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for the fiscal years 2002 and 2001.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

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.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ending June 30, 2003, 2002 and 2001 were \$593,907, \$556,493, and \$547,726 respectively; 87.38 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for the fiscal years 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all compensated persons not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, all members of the Board of Education elected social security. The Board's liability for those members electing Social Security is 6.2 percent of wages paid.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 13 - POST-EMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by either system based on authority granted by state statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 employers' contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003 the STRS board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For East Guernsey Local School District this amount equaled \$42,422 during the 2003 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.011 billion at June 30, 2002 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For the SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution to SERS is allocated to providing health care benefits. For the fiscal year 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members' pay, prorated for partial service credit. For fiscal year 2003, the minimum pay was established as \$14,500. For the School District, the amount contributed to fund health care benefits including surcharge equaled \$88,779 for fiscal year 2003.

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 for the fiscal year ended June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million and approximately 50,000 participants currently receiving health care benefits.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and state laws. Central office employees, 260-day supervisors, 260-day administrators, and 260-day custodians earn ten to twenty-five days of vacation per year, depending upon length of service and/or board action. Accumulated unused vacation time is paid upon termination of employment. Teachers, administrators and classified employees who work less than 260 days 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. As of June 30, 2003, sick leave may be accumulated up to a maximum 246 days. Upon retirement, certified or classified employees may receive payment for one-fourth of the total sick leave accumulation, if SERS/STRS retirement prerequisites are met.

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 obligation account group*. Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund when earned. The amount of compensated absences outstanding at June 30, 2003 for all funds and account groups was \$446,566.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

B. Other Insurance Options

The School District provides life insurance and accidental death and dismemberment insurance to all regular employees through Medical Life Insurance Company, in the amount of \$20,000; except that administrative personnel are provided \$50,000 coverage.

NOTE 15 - CAPITAL LEASES

The East Guernsey Local School District has entered into capitalized leases for copy equipment. The leases are reflected as other financing sources at the net present value of future minimum lease payment, and as capital outlay in the respective governmental fund type. The leases meet the criteria of a capital lease set forth in the Statement of Financial Accounting Standards No. 13 'Accounting for Leases', which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statement for governmental funds. These expenditures are reflected as regular instruction expenditures in the general fund on a budgetary basis. Equipment acquired for lease has been capitalized in the *general fixed assets account group* in the amount of \$78,105, which represents the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the *general long term obligation account group*. Principal payment in fiscal year 2003 totaled \$18,957 cash payments.

Future lease payments for these capital leases through the year 2006 are as follows:

Fiscal Year Ending June 30,	General Long Term Obligation
2004	25,725
2005	25,725
2006	<u>23,107</u>
Total Minimum Lease Payments:	\$74,557
Less: Interest	<u>(9,072)</u>
Present Value of Minimum Lease Payments:	<u>\$65,485</u>

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 16 - LONG TERM OBLIGATIONS

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

	<u>Outstanding June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2003</u>
1992 Series School Improvement Variable General Obligation Bonds	\$1,070,217	\$ 0	\$ 970,000	\$ 100,217
2001 Series School Improvement Bond Anticipation Notes	2,891,000	0	2,891,000	0
2002 Series School Improvement Variable General Obligation Bonds	0	3,720,000	0	3,720,000
Long Term Pension Obligation	69,586	75,714	69,586	75,714
Capital Lease	84,442	0	18,957	65,485
Compensated Absences	<u>467,436</u>	<u>35,778</u>	<u>76,813</u>	<u>426,401</u>
Total General Long Term Obligations:	<u>\$4,582,681</u>	<u>\$3,831,492</u>	<u>\$4,026,356</u>	<u>\$4,387,817</u>

The 1992 School Improvement general obligation bonds (the 1992 Bonds) were used to fund the construction of a new high school and sewage treatment facility, and the renovations of existing school buildings, as approved by voters in May 1985. The 1992 Bonds were issued with variable rates of interest, which range from 5.45 percent to 6.0 percent on bonds outstanding as of June 30, 2003. The issue is being repaid from property taxes. The final principal/interest payment on this issue is scheduled for December 1, 2004. The remainder of the issue, originally scheduled for retirement in December 2009, was retired with a refunding of the 1992 Bonds by a portion of the 2002 Bonds (see discussion following) sold in 2002.

In November 2001 voters approved a bond issue to fund the construction of a new K-8 building and renovations and additions to the School District's high school. On December 27, 2001, Bond Anticipation Notes (the Notes) were issued in the amount of \$2,891,000 in anticipation of the Bonds. The Notes were sold at an interest rate of 2.2%, with a due date of September 26, 2003, and were retired with a portion of the 2002 Bonds (see discussion following) sold in 2002.

On September 26, 2002, general obligation bonds (the 2002 Bonds) were issued in the amount of \$3,720,000 for two purposes: \$830,000 of the 2003 Bonds were issued to refund a portion of the 1992 Bonds that were outstanding as of June 30, 2003; and \$2,890,000 of the 2002 Bonds were issued to redeem the bond anticipation notes dated December 27, 2001. The issue is being repaid from property taxes. The 2002 Bonds were issued with variable rates of interest, which range from 1.55 percent to 5.125 percent, and the final principal/interest payment on this bond issue is scheduled for December 1, 2026.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt (accounting gain) of \$105,299. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2009 using the bonds-outstanding method, which approximates the effective interest method. The School District completed the current refunding to reduce its total debt service payments over the next seven years by \$105,299 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$98,693. The proceeds from the bonds were used to partially extinguish the old debt on September 26, 2002.

The School District has received State Classroom Facilities monies that were being repaid from property tax collections with no interest. As a result of legislative changes in 1997, school districts with below average valuation per pupil participating in the building assistance program were eligible to enter a supplemental agreement with the Ohio School Facilities Commission. The agreement allows the School District to retain the half-mill tax collection locally for the maintenance of classroom facilities. The School District entered into its agreement in December 1997, and has since begun receipting allocated tax collections into special revenue fund 034 (Facilities Maintenance Fund). Should the School District's adjusted valuation per pupil become greater than the state average in the future, one half of the tax collections would be used to repay the outstanding loan balance. However, per the most recent ranking provided by the Ohio Department of Education, the School District ranks 562nd in its assessed value ranking of 612 school districts in the state. Due to the School District's assessed value being significantly below the state school district average, the likelihood that the School District will be required to repay its outstanding classroom facilities loan is remote.

Annual debt service requirements to maturity for the 1992 School Improvement bonds, which includes interest of \$199,783 are as follows:

Fiscal Year Ending June 30,	Amount
2004	\$150,000
2005	150,000
Total Debt Service for the 1992 Bonds	<u>\$300,000</u>

Annual debt service requirements to maturity for the 2002 general obligation bonds, which includes interest of \$2,065,342 are as follows:

Fiscal Year Ending June 30,	Amount
2004	\$214,574
2005	248,325
2006	393,254
2007	384,679
2008	381,016
2009-2026	<u>4,163,494</u>
Total Debt Service for the 2002 Bonds	<u>\$5,785,342</u>

Capital leases will be paid from general fund as discussed in Note 15. The School District will pay compensated balances out of the funds from which employees are paid, as discussed in Note 14.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 17 - NOTE ACTIVITY

The following table represents note activity in the School District during the fiscal year 2003:

	<u>Outstanding June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2003</u>
General Fund				
Energy Conservation Notes	\$ 115,000	\$ 0	\$ 55,000	\$ 60,000

The 1993 Energy Conservation notes were used to fund modifications and renovations of existing school buildings and installation of energy conservation measures as approved by the East Guernsey Local Board of Education and the Ohio Department of Education in March 1993. The notes were issued with variable rates of interest, with interest of 5.75 percent on notes outstanding as of June 30, 2003. As stipulated by Board resolution, the notes are being repaid from property tax collections. It is an integral assumption of the project that related energy costs will decrease in a sufficient amount to offset the repayment of the debt over a ten-year period. The final principal/interest payment of \$61,725 on this issue is scheduled for December 1, 2003, which includes interest of \$1,725.

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and a community education fund. The following table reflects the more significant financial data relating to the enterprise funds of the East Guernsey Local School District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>Community Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 188,559	\$ 160	\$ 188,719
Operating Expenses (before depreciation)	452,954	0	452,954
Depreciation Expense	2,656	0	2,656
Operating Income/(Loss)	(267,051)	160	(266,891)
Donated Commodities	29,778	0	29,778
Interest Earnings	392	0	392
Operating Grants	197,337	0	197,337
Net Income/(Loss)	(39,544)	160	(39,384)
Net Working Capital	(1,460)	822	(638)
Total Assets	71,135	822	71,957
Total Equity	10,859	822	11,681
Encumbrances			
Outstanding at June 30, 2003	\$ 8,209	\$ 0	\$ 8,209

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 19 - SET ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The School District also receives money designated for school bus purchases, and as of fiscal year 2003 all school bus purchase money has been expended.

The following cash basis information describes the changes in the year end set aside amounts for textbooks and instructional materials, and capital improvements. The School District had offsets and qualifying disbursements during the year that reduced the set aside amounts below zero. These extra amounts may not be used to reduce the set aside requirements of future years for the capital improvements category, therefore negative amounts are not presented as being carried forward to the next fiscal year for that category. However, such extra amounts may be used to reduce set aside amounts for future years for the textbooks and instructional materials category, therefore those negative amounts will be presented as being carried forward to the next fiscal year. Disclosure of this information is required by State statute.

	<u>Textbooks & Instructional Materials</u>	<u>Capital Improvements</u>
Set Aside Cash Balance June 30, 2002	\$ (249,720)	\$ 0
Current Year Set Aside Requirement	<u>172,019</u>	<u>172,019</u>
Adjusted Set Aside Requirement	(77,701)	172,019
Designation by School District	0	0
Qualifying Offsets During the Year	0	(39,720)
Transfer to Permanent Improvement	0	0
Qualifying Expenditures During the Year	<u>(301,415)</u>	<u>(151,619)</u>
Total:	<u>\$(379,116)</u>	<u>\$ (19,320)</u>
Set Aside Cash Balance June 30, 2003	\$ 0	\$ 0
Set Aside Balance carried forward	\$(379,116)	\$ 0

NOTE 20 - CONTINGENCIES

Grants:

The School District receives financial assistance from federal and state 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.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

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 decision 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 its future State funding and on its financial operations.

**EAST GUERNSEY LOAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550		\$28,242		\$28,242
School Breakfast Program	069682-05PU-03	10.553	60,226		60,226	
National School Lunch Program	069682-LLP1-02/03	10.555	125,327		125,327	
Summer Food Service Program for Children	069682-23/24PU-02/03	10.559	2,004		2,004	
Total United States Department of Agriculture			187,557	28,242	187,557	28,242
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
Twenty-First Century Community Learning Centers - Direct Program	S287B010903	84.287	78,882		78,882	
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	069682-6BSF-03	84.027	133,972		153,010	
Title I Grants to Local Educational Agencies (ESEA Title I)	069682-C1S1-03	84.010	224,091		285,083	
Safe and Drug-Free Schools Grant	069682-DRS1-03	84.186	7,321		7,298	
Goals 2000 - State and Local Education Systemic Improvement Grants	N/A	84.276	0		4,560	
Eisenhower Professional Development Grant	069682-MSS1-02	84.281	736		1,024	
Innovative Educational Program Strategies	069682-C2S1-02/03	84.298	6,891		6,907	
Education Technology State Grants	069682-TJS1-03	84.318	6,361		6,018	
Improving Teacher Quality State Grants	069682-TRS1-03	84.367	43,814		42,089	
Temporary Assistance to Needy Families	N/A	93.558	26,947		26,947	
Total United States Department of Education			529,015	0	611,818	0
Total Federal Awards Receipts and Expenditures			\$716,572	\$28,242	\$799,375	\$28,242

The accompanying notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the School Districts to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

East Guernsey Local School District
Guernsey County
229 Old National Road
P.O. Box 128
Old Washington, Ohio 43768

To Board of Education:

We have audited the general purpose financial statements of the East Guernsey Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated November 24, 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 School 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the School District in a separate letter dated November 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School 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 operation that we consider to be material weaknesses.

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East Guernsey Local School District
Guernsey County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page -2-

This report is intended for the information and use of the audit committee, 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.

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

Betty Montgomery
Auditor of State

November 24, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

East Guernsey Local School District
Guernsey County
229 Old National Road
P.O. Box 128
Old Washington, Ohio 43768

To the Board of Education:

Compliance

We have audited the compliance of the East Guernsey Local School District, Guernsey County, Ohio (the School 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 its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School 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 School District's compliance with those requirements.

In our opinion, the 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.

Internal Control over Compliance

The management of the School 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 School 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.

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East Guernsey Local School District
Guernsey County
Independent Accountants' Report on Compliance with Requirements Applicable
to the Major Federal Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133
Page -2-

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

This report is intended for the information and use of the audit committee, management, 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.



Betty Montgomery
Auditor of State

November 24, 2003

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

**EAST GUERNSEY LOCAL SCHOOL DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

**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**

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EAST GUERNSEY LOCAL SCHOOL DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2004**