



**Auditor of State  
Betty Montgomery**



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2004 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Type and Similar Fiduciary Fund Funds - For the Fiscal Year Ended June 30, 2004 .....	4
Combined Statement of Receipts – Budget and Actual For the Fiscal Year Ended June 30, 2004 .....	5
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority For the Fiscal Year Ended June 30, 2004 .....	6
Notes to the Financial Statements For Fiscal Year Ended June 30, 2004 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2003 .....	23
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – Proprietary Fund Type and Similar Fiduciary Fund Funds - For the Fiscal Year Ended June 30, 2003 .....	24
Combined Statement of Receipts – Budget and Actual For the Fiscal Year Ended June 30, 2003 .....	25
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority For the Fiscal Year Ended June 30, 2003 .....	26
Notes to the Financial Statements For Fiscal Year Ended June 30, 2003 .....	27
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	43

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Russia Local School District  
Shelby County  
100 School Street  
P.O. Box 8  
Russia, Ohio 45363

To the the Board of Education:

We have audited the accompanying financial statements of the Russia Local School District, Shelby County, (the District), as of and for the years ended June 30, 2004 and June 30, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the District, as of June 30, 2004 and June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 2.

As described in Note 3, during the year ended June 30, 2003, the District changed its method of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 20, 2005

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Taxes	\$1,120,055		\$306,564			\$1,426,619
Tuition	259,727					259,727
Earnings on Investments	1,389,405	\$152,395	30,502		\$2,104	1,574,406
Extracurricular Activities	11,520			\$266	454	12,240
Classroom Materials and Fees	1,006	63,632				64,638
Miscellaneous Revenue	25,061					25,061
	<u>34,360</u>	<u>12,648</u>			<u>38,938</u>	<u>85,946</u>
Total Cash Receipts	2,841,134	228,675	337,066	266	41,496	3,448,637
<b>Cash Disbursements:</b>						
Current:						
Instruction:						
Regular	1,481,694	37,822		41,844	1,979	1,563,339
Special	252,140	80,325				332,465
Supporting Services:						
Pupils	81,884	3,062				84,946
Instructional Staff	82,084	24,835				106,919
Board of Education	4,133					4,133
Administration	314,977	3,005	925	6,237		325,144
Fiscal Services	97,286	3,025	4,415			104,726
Business	1,057					1,057
Operation and Maintenance	372,272	10,344		49,197	6,400	438,213
Pupil Transportation	122,417	11,057				133,474
Central Services	96,662	9,142				105,804
Operation of Non-Instructional Services	3,399				34,816	38,215
Extracurricular Activities	101,921	68,480			105	170,506
Capital Outlay				188,373		188,373
Debt Service			<u>350,223</u>			<u>350,223</u>
Total Cash Disbursements	<u>3,011,926</u>	<u>251,097</u>	<u>355,563</u>	<u>285,651</u>	<u>43,300</u>	<u>3,947,537</u>
Total Receipts Over/(Under) Disbursements	(170,792)	(22,422)	(18,497)	(285,385)	(1,804)	(498,900)
<b>Other Financing Receipts</b>						
Advances-In	5,088			5,088		10,176
Advances-Out				<u>(10,176)</u>		<u>(10,176)</u>
Total Other Financing Receipts	<u>5,088</u>			<u>(5,088)</u>		
Excess of Cash Receipts and Other Receipts Over/(Under) Cash Disbursements	(165,704)	(22,422)	(18,497)	(290,473)	(1,804)	(498,900)
Fund Cash Balances, July 1	<u>610,410</u>	<u>46,953</u>	<u>249,838</u>	<u>375,373</u>	<u>16,668</u>	<u>1,299,242</u>
<b>Fund Cash Balances, June 30</b>	<b><u>\$444,706</u></b>	<b><u>\$24,531</u></b>	<b><u>\$231,341</u></b>	<b><u>\$84,900</u></b>	<b><u>\$14,864</u></b>	<b><u>\$800,342</u></b>

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Food Service	\$86,992		\$86,992
Extracurricular Activities		\$62,542	62,542
Total Operating Cash Receipts	86,992	62,542	149,534
<b>Operating Cash Disbursements:</b>			
Personal Services	56,595		56,595
Fringe Benefits	9,524		9,524
Purchased Services	1,452		1,452
Supplies and Materials	37,024		37,024
Capital Outlay	616	443	1,059
Miscellaneous	204	71,792	71,996
Total Operating Cash Disbursements	105,415	72,235	177,650
Operating Income/(Loss)	(18,423)	(9,693)	(28,116)
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	19,346		19,346
Earnings on Investments	226		226
Other Non-Operating Receipts		2,553	2,553
Total Non-Operating Cash Receipts	19,572	2,553	22,125
Net Receipts Over/(Under) Disbursements	1,149	(7,140)	(5,991)
Fund Cash Balance, July 1	23,585	45,515	69,100
<b>Fund Cash Balance, June 30</b>	<b><u>\$24,734</u></b>	<b><u>\$38,375</u></b>	<b><u>\$63,109</u></b>

*The notes to the financial statements are an integral part of this statement.*



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Governmental:</b>			
General Fund	\$2,823,976	\$2,841,134	\$17,158
Special Revenue Funds	227,295	228,675	1,380
Debt Service Funds	337,066	337,066	
Capital Project Funds	5,354	266	(5,088)
<b>Proprietary:</b>			
Enterprise Funds	101,045	106,564	5,519
<b>Fiduciary:</b>			
Expendable Trust Funds	<u>37,473</u>	<u>41,496</u>	<u>4,023</u>
Total (Memorandum Only)	<u><u>\$3,532,209</u></u>	<u><u>\$3,555,201</u></u>	<u><u>\$22,992</u></u>

*The notes to the financial statements are an integral part of this statement.*

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding At 6/30/04	Total	Variance Favorable/ (Unfavorable)
<b>Governmental:</b>							
General Fund	\$69,346	\$3,309,305	\$3,378,651	\$3,011,926	\$17,253	\$3,029,179	\$349,472
Special Revenue Funds	16,764	247,476	264,240	251,097	5,438	256,535	7,705
Debt Service Funds	515	368,600	369,115	355,563		355,563	13,552
Capital Project Funds	187,178	159,449	346,627	285,651	54,900	340,551	6,076
<b>Proprietary:</b>							
Enterprise Funds	837	116,800	117,637	105,415	2,218	107,633	10,004
<b>Fiduciary:</b>							
Nonexpendable Trust Funds		54,139	54,139	43,300	46	43,346	10,793
<b>Total (Memorandum Only)</b>	<u>\$274,640</u>	<u>\$4,255,769</u>	<u>\$4,530,409</u>	<u>\$4,052,952</u>	<u>\$79,855</u>	<u>\$4,132,807</u>	<u>\$397,602</u>

*The notes to the financial statements are an integral part of this statement.*

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District is located in Shelby County. The District is staffed by 24 non-certificated employees, 33 certificated full-time teaching personnel and 3 administrative employees who provide services to 443 students and other community members. The District currently operates one instructional/support building.

**Reporting Entity:**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Russia Local School District, this includes general operations, food service, and student related activities of the District.

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

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 12 to the financial statements. These organizations are:

**Jointly Governed Organizations:**

Western Ohio Computer Organization  
Southwestern Ohio Educational Purchasing Council  
Southwestern Ohio Instructional Technology Association

**Insurance Purchasing Pools:**

Ohio Association of School Business Officials Organization Workers'  
Compensation Group Rating Plan  
Shelby County Schools Consortium  
Southwestern Ohio Educational Purchasing Council Insurance Program

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

As required by Ohio Administrative Code Section 117-2-03 (B), the District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the District chooses to prepare (for audit purposes) its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types:**

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

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

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type:**

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

**Enterprise Fund** - The enterprise fund is used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds.

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year. The Budget Commission has waived the requirement to file the budget.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year.

Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003, unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available. Appropriations may not exceed estimated resources.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records. Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**E. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. RESTATEMENT OF FUND BALANCES**

During fiscal year 2004, in accordance with the Uniform School Accounting System, Fund 458 for IVDL (Interactive Video Distance Learning) grant funds, was reclassified from a Capital Project Fund Type to a Special Revenue Fund Type. This change had the following effect on fund balances as previously reported:

	<b>Special Revenue</b>	<b>Capital Projects</b>
Cash Fund Balance - June 30, 2003	\$ 45,753	\$376,573
Fund 458 Reclassification	1,200	(1,200)
Restated Fund Balance - July 1, 2003	\$ 46,953	\$375,373

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At June 30, 2004, the District had \$5,992 in cash reported in the special revenue funds that is held by the Shelby County Educational Service Center, which is the fiscal agent for several Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The risk classifications for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

**Deposits:** At fiscal year-end, the carrying amount of the District's deposits was \$857,459 and the bank balance was \$868,095. Of the bank balance, \$103,000 was covered by federal depository insurance and \$765,095 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District did not have any investments at fiscal year-end.



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes.

Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003.

Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Shelby and Darke Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$26,240,950	70.33%	\$28,474,720	73.49%
Public Utility – Personal	3,381,070	9.06%	3,347,040	8.64%
Tangible Personal Property	7,690,490	20.61%	6,927,030	17.87%
Total Assessed Value	<u>\$37,312,510</u>	<u>100.00%</u>	<u>\$38,748,790</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.45		\$39.45	

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. INCOME TAX**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District joined together with other Districts in Ohio to participate in the Southwestern Ohio Educational Purchasing Council Insurance Program, a public entity self insurance program. The District contracted with Marsh Insurance Company, and coverage is provided by Selective Insurance Company as follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$10,329,759
Contents (2,500 deductible)	1,790,567
Flood & Earthquake per occurrence/aggregate	4,000,000
EDP Equipment	10,000,000
Business Interruption	1,000,000
Hazardous Substance	100,000
Automobile Liability (actual cast value only)	5,000,000
Educator's Liability	
Per Claim	1,000,000
Each Wrongful Act Limit (\$5,000 deductible)	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2004, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the plan), an insurance purchasing pool (Note 12). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered 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 a statutory maximum amount, by the SERS' Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$46,998, \$41,347 and \$24,148 respectively; 50.18 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**B. State Teachers Retirement System of Ohio**

The 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 STRS Ohio, 275 E. Broad St., Columbus, OH 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 percent 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.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

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, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$189,169, \$212,843, and \$122,808 respectively; 82.27 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board member contributes to SERS.

**9. POST-EMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$14,551 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For 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 twenty-five 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 is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease from 5.83 in fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400.

For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$32,535.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**10. OTHER EMPLOYEE BENEFITS**

**A. Insurance Benefits**

The school District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. The District provides medical and dental insurance through Anthem Blue Cross and Blue Shield to its full-time employees.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEBT OBLIGATIONS**

**A. Debt Obligations**

The changes in the School District's debt obligations during fiscal year 2004 were as follows:

	<b>Principal Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/04</b>
Gym Addition Bond 9.375%	\$65,000	\$0	\$30,000	\$35,000
Building Construction & Improvement 5.47%	4,355,000	0	90,000	4,265,000
<b>Total Debt Obligations</b>	<b>\$4,420,000</b>	<b>0</b>	<b>\$120,000</b>	<b>\$4,300,000</b>

On November 1, 1985, the District issued \$585,000 in voted general obligation bonds for the purpose of an addition of a high school gymnasium. The bonds were issued for a nineteen year period with final maturity at December 1, 2004, with an interest rate of 9.375 percent. The bond will be paid from the Debt Service Fund.

On May 9, 2001, the District issued \$4,500,000 in voted general obligation bonds for the purpose of an addition and improvement to the building. The bonds were issued for a 28 year period with final maturity on December 1, 2028, with an interest rate of 5.47 percent. The bonds will be paid from the Debt Service Fund.

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

**B. Future Debt Requirements**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$125,000	\$223,846	\$348,846
2006	95,000	218,690	313,690
2007	100,000	214,935	314,935
2008	105,000	210,859	315,859
2009	105,000	206,528	311,528
2010-2014	605,000	956,406	1,561,406
2015-2019	780,000	786,798	1,566,798
2020-2024	1,030,000	541,257	1,571,257
2025-2029	1,355,000	203,982	1,558,982
<b>Total</b>	<b>\$4,300,000</b>	<b>\$3,563,301</b>	<b>\$7,863,301</b>

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

**Western Ohio Computer Organization** - The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of Public School Districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. During fiscal year 2004, the District paid \$16,127 to WOCO. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 Districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the District paid \$837 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2004, the District paid \$1,620 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**B. Insurance Purchasing Pools**

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

**Shelby County Schools Consortium** - The Shelby County Consortium is an insurance purchasing pool among several local Districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each District pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating District and the service center. The degree of control exercised by any participating District is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

**Southwestern Ohio Educational Purchasing Council Insurance Program** - The District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program, a group purchasing pool among members of the Southwestern Ohio Educational Purchasing Council. A five member committee made up of member schools meet five to 6 times a year, has governing by-laws and is sanctioned by the Educational Purchasing Council Board.

Charter Members consisted of 6 school districts in Southwest Ohio with combined students of 27,503, and combined values of \$490,259,626. During fiscal year 2004, this program was expanded to include 28 school districts with combined student enrollment of 49,000, and combined values of \$1,122,447,455. The group is governed by the Southwestern Ohio Educational Purchasing Council and is a self-insurance package which allows the Council to:

- Retain a portion of the predictable losses
- Transfer a portion of the catastrophic risk
- Broaden the districts insurance program coverages
- Budget for know maximum costs and
- Insulate the district from future market upheavals

The District paid \$26,652 to the group during fiscal year 2004 for Property and Casualty Insurance. Cambridge Integrated Services Group, Inc. is responsible for processing claims. Marsh Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between Southwest Ohio EPC Insurance Program and member schools.



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. STATUTORY RESERVES**

The District is required by law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Improvements</b>	<b>Budget Stabilization</b>
Set-Aside Cash Balance as of June 30, 2003	\$(37,624)	\$(4,554,617)	\$11,329
Required Set-Aside	57,376	57,376	0
Qualifying Offsets	<u>(69,921)</u>	<u>(334,307)</u>	<u>(11,329)</u>
Excess Expenditures Available for Carry-over to Subsequent Year	<u>\$(50,169)</u>	<u>\$(4,831,548)</u>	<u>\$ 0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

**14. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

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

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**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Taxes	\$1,098,454		\$295,835			\$1,394,289
Tuition	231,655					231,655
Intergovernmental	1,317,760	\$106,580	\$29,163	\$1,200		1,454,703
Earnings on Investments	24,905			47,424	\$483	72,812
Extracurricular Activities	4,435	59,083				63,518
Classroom Materials and Fees	27,565					27,565
Miscellaneous Revenue	97,434	12,618			18,186	128,238
<b>Total Cash Receipts</b>	<b>2,802,208</b>	<b>178,281</b>	<b>324,998</b>	<b>48,624</b>	<b>18,669</b>	<b>3,372,780</b>
<b>Cash Disbursements:</b>						
Current:						
Instruction:						
Regular	1,319,554	19,160		34,802		1,373,516
Special	267,276	51,530				318,806
Vocational Education	917					917
Other Instruction	50,457					50,457
Supporting Services:						
Pupils	75,253	2,173				77,426
Instructional Staff	76,150	22,752				98,902
Board of Education	4,013					4,013
Administration	265,268		345			265,613
Fiscal Services	106,119	100	7,253	2		113,474
Business	931					931
Operation and Maintenance	393,425	249		72,784		466,458
Pupil Transportation	131,508	10,650				142,158
Central Services	63,281	6,204				69,485
Operation of Non-Instructional Services	3,673				19,190	22,863
Extracurricular Activities	85,107	45,667				130,774
Capital Outlay				3,442,562		3,442,562
Debt Service			351,329			351,329
<b>Total Cash Disbursements</b>	<b>2,842,932</b>	<b>158,485</b>	<b>358,927</b>	<b>3,550,150</b>	<b>19,190</b>	<b>6,929,684</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(40,724)</b>	<b>19,796</b>	<b>(33,929)</b>	<b>(3,501,526)</b>	<b>(521)</b>	<b>(3,556,904)</b>
<b>Other Financing Receipts</b>						
Refund of Prior Year Expenditures	2,199					2,199
Transfers-In				100,000		100,000
Transfers-Out	(100,000)					(100,000)
Refund of Prior Year Receipts	(2,500)					(2,500)
<b>Total Other Financing Receipts</b>	<b>(100,301)</b>			<b>100,000</b>		<b>(301)</b>
<b>Excess of Cash Receipts and Other Receipts Over/(Under) Cash Disbursements</b>	<b>(141,025)</b>	<b>19,796</b>	<b>(33,929)</b>	<b>(3,401,526)</b>	<b>(521)</b>	<b>(3,557,205)</b>
<b>Fund Cash Balances, July 1</b>	<b>751,435</b>	<b>25,957</b>	<b>283,767</b>	<b>3,778,099</b>	<b>17,189</b>	<b>4,856,447</b>
<b>Fund Cash Balances, June 30</b>	<b>\$610,410</b>	<b>\$45,753</b>	<b>\$249,838</b>	<b>\$376,573</b>	<b>\$16,668</b>	<b>\$1,299,242</b>

*The notes to the financial statements are an integral part of this statement.*

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Food Service	\$87,142		\$87,142
Extracurricular Activities		\$65,732	\$65,732
<b>Total Operating Cash Receipts</b>	<b>87,142</b>	<b>65,732</b>	<b>152,874</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	51,996		51,996
Fringe Benefits	9,759		9,759
Purchased Services	2,782		2,782
Supplies and Materials	34,458		34,458
Capital Outlay	60		60
Miscellaneous	893	66,218	67,111
<b>Total Operating Cash Disbursements</b>	<b>99,948</b>	<b>66,218</b>	<b>166,166</b>
Operating Income/(Loss)	(12,806)	(486)	(13,292)
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	14,421		14,421
Earnings on Investments	182		182
Other Non-Operating Receipts		142	142
<b>Total Non-Operating Cash Receipts</b>	<b>14,603</b>	<b>142</b>	<b>14,745</b>
Net Receipts Over/(Under) Disbursements	1,797	(344)	1,453
Fund Cash Balance, July 1	21,788	45,859	67,647
<b>Fund Cash Balance, June 30</b>	<b><u>\$23,585</u></b>	<b><u>\$45,515</u></b>	<b><u>\$69,100</u></b>

*The notes to the financial statements are an integral part of this statement.*

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>Fund Types/Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$2,670,708	\$2,804,407	\$133,699
Special Revenue Funds	172,796	178,281	5,485
Debt Service Funds	313,697	324,998	11,301
Capital Project Funds	148,354	148,624	270
<b>Proprietary:</b>			
Enterprise Funds	98,810	101,745	2,935
<b>Fiduciary:</b>			
Expendable Trust Funds	18,668	18,669	1
<b>Total (Memorandum Only)</b>	<b><u>\$3,423,033</u></b>	<b><u>\$3,576,724</u></b>	<b><u>\$153,691</u></b>

*The notes to the financial statements are an integral part of this statement.*

RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding At 6/30/03	Total	Variance Favorable/ (Unfavorable)
<b>Governmental:</b>							
General Fund	\$64,114	\$3,338,496	\$3,402,610	\$2,945,432	\$69,346	\$3,014,778	\$387,832
Special Revenue Funds	1,833	194,038	195,871	158,485	16,764	175,249	20,622
Debt Service Funds	515	457,020	457,535	358,927	515	359,442	98,093
Capital Project Funds	3,263,790	662,663	3,926,453	3,550,150	187,178	3,737,328	189,125
<b>Proprietary:</b>							
Enterprise Funds	1,333	119,265	120,598	99,948	837	100,785	19,813
<b>Fiduciary:</b>							
Nonexpendable Trust Funds		22,677	22,677	19,190		19,190	3,487
<b>Total (Memorandum Only)</b>	<b>\$3,331,585</b>	<b>\$4,794,159</b>	<b>\$8,125,744</b>	<b>\$7,132,132</b>	<b>\$274,640</b>	<b>\$7,406,772</b>	<b>\$718,972</b>

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

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District is located in Shelby County. The District is staffed by 27 non-certificated employees, 33 certificated full-time teaching personnel and 3 administrative employees who provide services to 439 students and other community members. The District currently operates two instructional/support building.

**A. Reporting Entity:**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Russia Local School District, this includes general operations, food service, and student related activities of the District.

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

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 12 to the financial statements. These organizations are:

**Jointly Governed Organizations:**

Western Ohio Computer Organization  
Southwestern Ohio Educational Purchasing Council  
Southwestern Ohio Instructional Technology Association

**Insurance Purchasing Pools:**

Ohio Association of School Business Officials Organization Workers'  
Compensation Group Rating Plan  
Shelby County Schools Consortium

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

As required by Ohio Administrative Code Section 117-2-03 (B), the District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the District chooses to prepare (for audit purposes) its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types:**

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

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

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

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

**2. Proprietary Fund Type:**

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



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Enterprise Fund** - The enterprise fund is used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds.

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year. The Budget Commission has waived the requirement to file this budget.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records. Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**E. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2003, the District changed its method of accounting for financial reporting from generally accepted accounting principles to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This change had the following effect on fund balances as previously reported:

<b>Fund</b>	<b>Fund Balance Retained Earnings 6/30/2002</b>	<b>Accrual Adjustments</b>	<b>Reclass</b>	<b>Restated Fund Balance 7/1/2002</b>
General	\$611,191	\$140,244		\$751,435
Special Revenue	28,516	(2,559)		25,957
Debt Service	301,691	(17,924)		283,767
Capital Project	3,296,368	481,731		3,778,099
Expendable Trust	4,009	(369)	13,549	17,189
Enterprise	6,409	15,379		21,788
Non expendable Trust	13,549	0	(13,549)	-
Agency	-	45,859		45,859
Total	<u>\$4,261,733</u>	<u>\$662,361</u>	<u>\$0</u>	<u>\$4,924,094</u>

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At June 30, 2003, the District had \$6,964 in cash reported in the special revenue funds that is held by the Shelby County Educational Service Center, which is the fiscal agent for several Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The risk classifications for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

**Deposits:** At fiscal year-end, the carrying amount of the District's deposits was \$1,361,378 and the bank balance was \$1,386,950. Of the bank balance, \$212,900 was covered by federal depository insurance and \$1,174,050 was uninsured and uncollateralized.

Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District did not have any investments at fiscal year-end.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 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.

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, 2003, 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 District prior to June 30.

The District receives property taxes from Shelby County. The County Auditor periodically advances to the District its portion of the taxes 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.

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

	<b>2002 Second- Half Collections</b>		<b>2003 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential And Other Real Estate	\$25,449,110	71.40%	\$26,240,950	70.33%
Public Utility – Real	2,368,840	6.65%	3,381,070	9.06%
Tangible Personal Property	7,822,510	21.95%	7,690,490	20.61%
Total Assessed Value	<u>\$35,640,460</u>	<u>100.00%</u>	<u>\$37,312,510</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.45		\$39.45	

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**6. INCOME TAX**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Marsh Insurance Company.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$11,446,000
Difference in Condition, Flood & Earthquake (\$25,000 deductible)	1,000,000
Extra Expense	250,000
Automobile Liability	2,000,000
Collision (\$500 deductible)	Actual Cash Value
Uninsured Motorist	1,000,000
Medical Payments	5,000
General Liability	
Aggregate Limit	4,000,000
Each Occurrence Limit	2,000,000
Medical Payments	5,000
Employee Benefits Liability	
Annual Policy Aggregate	4,000,000
Each Wrongful Act Limit	2,000,000
Deductible	1,000
Stop GAP – Based on Payroll of \$1,667,062	
Each Accident	1,000,000
Disease Each Employee	1,000,000
Disease Policy Limit	1,000,000

The District contracted with Selective Insurance Co. for Commercial Umbrella Liability Coverage. Coverage provided is as follows:

Occurrence Limit:	\$5,000,000
Aggregate Limit	5,000,000

School Board Errors and Omissions Liability Coverage - Claims Made Form

Each Wrongful Act Limit	1,000,000
Annual Policy Aggregate Limit	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 12). The intent of the Plan 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 Plan.

The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria.

The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the 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 annual covered 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 a statutory maximum amount, by the SERS' Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$41,347, \$24,148 and \$9,466 respectively; 54.51 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio**

The 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 STRS Ohio, 275 E. Broad St., Columbus, OH 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 percent 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 District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$212,843, \$122,808, and \$124,001 respectively; 72.14 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.



**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

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

**9. POST-EMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$16,383 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the fiscal year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

For 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 twenty-five 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 is allocated to providing health care benefits. For the fiscal year ended June 30, 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 member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500.

For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$37,729.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**10. OTHER EMPLOYEE BENEFITS**

**Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. The District provides medical and dental insurance through Anthem Blue Cross and Blue Shield to its full-time employees

**11. DEBT OBLIGATIONS**

**A. Debt Obligations**

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

	<b>Principal Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/04</b>
Gym Addition Bond 9.375%	\$100,000	\$0	\$35,000	\$65,000
Building Construction & Improvement 5.47%	4,435,000	0	80,000	4,355,000
<b>Total Debt Obligations</b>	<b>\$4,535,000</b>	<b>0</b>	<b>\$115,000</b>	<b>\$4,420,000</b>

On November 1, 1985, the District issued \$585,000 in voted general obligation bonds for the purpose of an addition of a high school gymnasium. The bonds were issued for a nineteen year period with final maturity at December 1, 2004, with an interest rate of 9.375 percent. The bond will be paid from the Debt Service Fund.

On May 9, 2001, the District issued \$4,500,000 in voted general obligation bonds for the purpose of an addition and improvement to the building. The bonds were issued for a 28 year period with final maturity on December 1, 2028, with an interest rate of 5.47 percent. The bonds will be paid from the Debt Service Fund.

Prior to the issuance of the 2001 bonds, the School District applied to the State Tax Commissioner and the Superintendent of Public Instruction to be considered a "special needs district" in order to issue bonds which caused the School District to exceed the overall debt limitation established by the Ohio Revised Code. The School District was approved for "special needs district" status. In order to enter into further debt, the School District would again have to apply to the State Tax Commissioner and the Superintendent of Public Instruction.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. DEBT OBLIGATIONS (Continued)**

**B. Future Debt Requirements**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$120,000	\$230,223	\$350,223
2005	125,000	223,846	348,846
2006	95,000	218,690	313,690
2007	100,000	214,935	314,935
2008	105,000	210,859	315,859
2009-2013	575,000	983,118	1,558,118
2014-2018	740,000	826,463	1,566,463
2019-2023	975,000	596,883	1,571,883
2024-2028	1,280,000	279,738	1,559,738
2029	305,000	8,769	313,769
Total	\$4,420,000	\$3,793,524	\$8,213,524

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

**Western Ohio Computer Organization** - The District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public School Districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. During fiscal year 2003, the District paid \$14,808 to WOCO. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 Districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2003, the School District paid \$472 for membership during the fiscal year, and \$243 for the Self Help Program Administration Fee. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**A. Jointly Governed Organizations (Continued)**

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2003, the District paid \$1,956 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**B. Insurance Purchasing Pools**

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

**Shelby County Schools Consortium** - The Shelby County Consortium is an insurance purchasing pool among several local Districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each District pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating District and the service center. The degree of control exercised by any participating District is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**13. CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual purchase commitments as follows:

<b>Building Project: Company</b>	<b>Project</b>	<b>Contract Amount</b>	<b>Amount Expended</b>	<b>Balance 6/30/03</b>
Bushong Restaurant Equip	Lunch Room Equip	\$179,343	\$ 178,912	\$431
Capital Equipment	Lab Casework	75,544	73,457	2,087
Capital Equipment	Institutional Casework	71,498	57,338	14,160
Dalmation Fire	Fire Protection	61,663	60,371	1,292
Farnham Equipment	Library Equipment	35,978	21,054	14,924
Farnham Equipment	Music Equipment	13,500	13,430	70
Ferguson Construction	General Contractor	2,054,923	2,021,404	33,519
Freytag Architects	Architectural Services	348,586	327,421	21,165
GM Mechanical	Plumbing	203,733	200,621	3,112
Mr. Concrete	Brick	17,343	17,328	15
Service Supply	Bleachers	23,916	23,784	132
Slagle Mechanical	HVAC	845,606	825,967	19,639
Wells Brothers	Electrical	<u>491,859</u>	<u>485,099</u>	<u>6,760</u>
Totals		<u>\$4,423,492</u>	<u>\$4,306,186</u>	<u>\$117,306</u>

**14. STATUTORY RESERVES**

The School District is required by law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2003, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Improvements</b>	<b>Budget Stabilization</b>
Set-Aside Cash Balance as of June 30, 2002	(\$31,088)	\$(4,487,788)	\$11,329
Required Set-Aside	55,560	55,560	0
Qualifying Offsets	<u>(62,096)</u>	<u>(122,389)</u>	<u>0</u>
Excess Expenditures Available for Carry-over to Subsequent Year	<u>\$(37,624)</u>	<u>\$(4,554,617)</u>	<u>\$11,329</u>
Set-aside Reserve Balances as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$11,329</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**15. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

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



## **Auditor of State Betty Montgomery**

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

Russia Local School District  
Shelby County  
100 School Street  
P.O. Box 8  
Russia, Ohio 45363

To the Board of Education:

We have audited the financial statements of Russia Local School District, Shelby County, (the District) as of and for the years ended June 30, 2004 and June 30, 2003, and have issued our report thereon dated January 20, 2005, wherein we noted that the District implemented the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated January 20, 2005.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 20, 2005.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
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Russia Local School District  
Shelby 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, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 20, 2005





**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**RUSSIA LOCAL SCHOOL DISTRICT  
SHELBY 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  
FEBRUARY 24, 2005**