

ANTWERP LOCAL SCHOOL DISTRICT

PAULDING COUNTY

**AUDITED
BASIC FINANCIAL STATEMENTS**

For The Year Ended June 30, 2005



Mary Taylor, CPA
Auditor of State

Board of Trustees
Antwerp Local School District
303 South Harrmann Rd.
Antwerp, Ohio 45813

We have reviewed the *Independent Auditors' Report* of the Antwerp Local School District, Paulding County, prepared by Rea & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 2, 2007

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**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	14
Statement of Fiduciary Net Assets – Fiduciary Funds	15
Notes to the Basic Financial Statements	16
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37

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We're Ready For Your Future

February 15, 2007

To the Board of Education
Antwerp Local School District
Antwerp, Ohio 45813

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Antwerp Local School District, (the District), Paulding County, Ohio, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Antwerp Local School District, Paulding County, Ohio as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2007 on our consideration of the Antwerp Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited**

The discussion and analysis of the Antwerp Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

In total, net assets decreased \$1,940,382.

General revenues accounted for \$5,137,132 or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$1,053,164, or 17 percent of total revenues of \$6,190,296.

The District's major funds included the General Fund and the Classroom Facilities Fund. The General Fund had \$4,840,515 in revenues and \$5,240,953 in expenditures. The General Fund's balance decreased \$400,438 from the prior fiscal year. The Classroom Facilities Fund had \$78,411 in revenues and \$779,511 in expenditures. The Classroom Facilities Fund's balance decreased \$701,100 from the prior fiscal year.

The revenue generated from the Bond Retirement Debt Service Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the Classroom Facilities Fund are the only two major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property and income tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property and income tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Classroom Facilities Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2005, compared to fiscal year 2004.

**Table 1
Net Assets
Governmental Activities**

	<u>2005</u>	<u>2004</u>
<u>Assets:</u>		
Current and Other Assets	\$ 4,507,189	\$ 5,625,572
Capital Assets, Net	19,559,852	20,852,102
Total Assets	<u>24,067,041</u>	<u>26,477,674</u>
<u>Liabilities:</u>		
Current and Other Liabilities	2,416,829	2,407,493
Long-Term Liabilities	3,233,189	3,712,776
Total Liabilities	<u>5,650,018</u>	<u>6,120,269</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	16,247,199	17,489,916
Restricted	1,889,327	2,383,722
Unrestricted	280,497	483,767
Total	<u>\$18,417,023</u>	<u>\$20,357,405</u>

The decrease in capital assets was attributed to the disposal of several capital assets during the year.

Table 2 reflects the changes in net assets for fiscal year 2005, compared to fiscal year 2004.

**Table 2
Change in Net Assets
Governmental Activities**

	<u>2005</u>	<u>2004</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$ 438,687	\$ 340,889
Operating Grants, Contributions and Interest	536,066	247,942
Capital Grants and Contributions	78,411	20,075
Total Program Revenues	<u>1,053,164</u>	<u>608,906</u>
General Revenues:		
Property Taxes	1,563,506	1,469,021
Income Taxes	432,161	441,097
Grants and Entitlements	2,938,285	3,197,701
Interest	33,148	61,167
Miscellaneous	170,032	124,392
Total General Revenues	<u>5,137,132</u>	<u>5,293,378</u>
Total Revenues	<u>6,190,296</u>	<u>5,902,284</u>

(Continued)

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

	<u>2005</u>	<u>2004</u>
<u>Expenses:</u>		
Instruction	\$4,545,771	\$3,159,557
Support Services:		
Pupils	229,589	226,781
Instructional Staff	265,724	343,131
Board of Education	7,263	7,248
Administration	705,658	594,152
Fiscal	197,181	185,788
Business	0	7,702
Operation and Maintenance of Plant	536,491	415,023
Pupil Transportation	288,951	236,756
Non-Instructional	230,749	89,473
Extracurricular Activities	240,120	235,074
Capital Outlay	732,676	142,809
Interest and Fiscal Charges	150,505	151,209
<i>Total Expenses</i>	<u>8,130,678</u>	<u>5,794,703</u>
<i>Increase/(decrease) in Net Assets</i>	<u>(\$1,940,382)</u>	<u>\$ 107,581</u>

The increase in instruction expenses contributed more than 55 percent of the increase in total expenses.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3
Governmental Activities**

	<u>Total Cost of Services 2005</u>	<u>Net Cost of Services 2005</u>	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
Instruction	\$4,545,771	\$3,908,243	\$3,159,557	\$2,855,746
Support Services:				
Pupils	229,589	228,801	226,781	226,781
Instructional Staff	265,724	255,298	343,131	321,360
Board of Education	7,263	7,263	7,248	7,248
Administration	705,658	705,658	594,152	583,547
Fiscal	197,181	192,181	185,788	179,230
Business	0	0	7,702	7,702
Operation and Maintenance of Plant	536,491	536,491	415,023	415,023
Pupil Transportation	288,951	288,951	236,756	236,756
Non-Instructional	230,749	12,619	89,473	(62,129)
Extracurricular Activities	240,120	152,355	235,074	140,590
Capital Outlay	732,676	639,149	142,809	122,734
Interest and Fiscal Charges	150,505	150,505	151,209	151,209
<i>Total Expenses</i>	<u>\$8,130,678</u>	<u>\$7,077,514</u>	<u>\$5,794,703</u>	<u>\$5,185,797</u>

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 percent. The remaining 13 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Classroom Facilities Fund. The fund balance of the General Fund decreased \$400,438 mainly due to a decrease in state foundation receipts. The Classroom Facilities Fund balance decreased \$701,100 due to the construction cost of the new school building.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed. Final expenditures were budgeted at \$5,281,534, while actual expenditures were \$5,281,555.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$19,559,852 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2005, the District had \$2,974,142 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-two year period, with final maturity on December 1, 2022. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2005, the District had \$12,188 in an asbestos removal loan for removing asbestos from older buildings. The asbestos loan was entered into in 1988 through the United States Environmental Protection Agency. The purpose of this loan is to provide revenues for the removal of asbestos from school buildings. This interest free promissory note will mature in fiscal year 2008. The loan is being retired through the Bond Retirement Debt Service Fund.

At June 30, 2005, the District had \$99,000 in a permanent improvement loan for repairs and maintenance on buildings. The loan will mature on December 31, 2006. The loan is being retired through the Bond Retirement Debt Service Fund.

At June 30, 2005, the District's overall legal debt margin was (\$430,295) with an un-voted debt margin of \$26,714.

For further information regarding the District's debt, see the notes to the basic financial statements.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Antwerp is a small rural community of 1,850 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 37.53 percent of District revenue sources is from local funds, 59.82 percent is from state funds, and the remaining 2.65 percent is from federal funds. The total expenditure per pupil was calculated at \$7,084.

In November 2000, the District passed a five year 2.9 mill permanent improvement levy to generate \$148,000 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jane Limber, Treasurer, Antwerp Local School District, 303 South Harrmann Road, Antwerp, Ohio 45813.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Net Assets
June 30, 2005**

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 2,258,224
Cash and Cash Equivalents with Fiscal Agents	22,696
Materials and Supplies Inventory	5,020
Accrued Interest Receivable	1,045
Income Taxes Receivable	189,107
Taxes Receivable	2,031,097
Non-Depreciable Capital Assets	693,586
Depreciable Capital Assets, net	<u>18,866,266</u>
 Total Assets	 24,067,041
LIABILITIES:	
Accounts Payable	4,560
Accrued Wages and Benefits	482,860
Intergovernmental Payable	108,016
Accrued Interest Payable	10,296
Unearned Revenue	1,712,097
Notes Payable	99,000
Long-Term Liabilities:	
Due Within One Year	135,000
Due in More Than One Year	<u>3,098,189</u>
 Total Liabilities	 5,650,018
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	16,247,199
Restricted for Debt Service	150,315
Restricted for Capital Outlay	1,381,064
Restricted for Other Purposes	357,948
Unrestricted	<u>280,497</u>
 Total Net Assets	 <u><u>\$ 18,417,023</u></u>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 3,971,197	\$ 167,973	\$ 71,993	\$ 0	\$ (3,731,231)
Special	558,397	10,000	372,744	0	(175,653)
Adult/Continuing	5,000	0	430	0	(4,570)
Other	11,177	14,388	0	0	3,211
Support Services:					
Pupils	229,589	0	788	0	(228,801)
Instructional Staff	265,724	0	10,426	0	(255,298)
Board of Education	7,263	0	0	0	(7,263)
Administration	705,658	0	0	0	(705,658)
Fiscal	197,181	0	5,000	0	(192,181)
Operation and Maintenance of Plant	536,491	0	0	0	(536,491)
Pupil Transportation	288,951	0	0	0	(288,951)
Operation of Non-Instructional Services	230,749	158,561	59,569	0	(12,619)
Extracurricular Activities	240,120	87,765	0	0	(152,355)
Capital Outlay	732,676	0	15,116	78,411	(639,149)
Debt Service:					
Interest and Fiscal Charges	150,505	0	0	0	(150,505)
Totals	<u>\$ 8,130,678</u>	<u>\$ 438,687</u>	<u>\$ 536,066</u>	<u>\$ 78,411</u>	<u>(7,077,514)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					1,183,738
Property Taxes, Levied for Capital Outlay					133,805
Property Taxes, Levied for Debt Service					245,963
Income Taxes					432,161
Grants and Entitlements not Restricted to Specific Programs					2,938,285
Investment Earnings					33,148
Miscellaneous					170,032
Total General Revenues					<u>5,137,132</u>
Change in Net Assets					(1,940,382)
Net Assets Beginning of Year					20,357,405
Net Assets End of Year					<u>\$ 18,417,023</u>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2005**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 708,537	\$ 916,564	\$ 619,566	\$ 2,244,667
Cash and Cash Equivalents with Fiscal Agents	0	0	22,696	22,696
Materials and Supplies Inventory	0	0	5,020	5,020
Accrued Interest Receivable	1,045	0	0	1,045
Income Taxes Receivable	189,107	0	0	189,107
Taxes Receivable	1,611,281	0	419,816	2,031,097
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	13,557	0	0	13,557
Total Assets	<u>\$ 2,523,527</u>	<u>\$ 916,564</u>	<u>\$ 1,067,098</u>	<u>\$ 4,507,189</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 2,973	\$ 1,545	\$ 42	\$ 4,560
Accrued Wages and Benefits	471,648	0	11,212	482,860
Intergovernmental Payable	106,826	0	1,190	108,016
Deferred Revenue	1,549,275	0	387,037	1,936,312
Notes Payable	0	0	99,000	99,000
	<u>2,130,722</u>	<u>1,545</u>	<u>498,481</u>	<u>2,630,748</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	20,465	7,772	14,654	42,891
Reserved for Inventory	0	0	5,020	5,020
Reserved for Property Taxes	92,960	0	32,779	125,739
Reserved for Budget Stabilization	13,557	0	0	13,557
Unreserved, Undesignated, Reported in:				
General Fund	265,823	0	0	265,823
Special Revenue Funds	0	0	347,101	347,101
Debt Service Funds	0	0	118,184	118,184
Capital Projects Funds	0	907,247	50,879	958,126
Total Fund Balances	<u>392,805</u>	<u>915,019</u>	<u>568,617</u>	<u>1,876,441</u>
Total Liabilities and Fund Balances	<u>\$ 2,523,527</u>	<u>\$ 916,564</u>	<u>\$ 1,067,098</u>	<u>\$ 4,507,189</u>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005**

Total Governmental Fund Balances	\$	1,876,441
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		19,559,852
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		224,215
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	\$	(10,296)
General Obligation Bonds Payable		(2,986,330)
Compensated Absences Payable		(246,859)
		<u>(3,243,485)</u>
Net Assets of Governmental Activities	\$	<u><u>18,417,023</u></u>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,035,362	\$ 0	\$ 348,793	\$ 1,384,155
Income Tax	405,626	0	25,189	430,815
Intergovernmental	3,078,389	54,182	395,962	3,528,533
Interest	31,474	24,229	1,674	57,377
Tuition and Fees	127,512	0	64,729	192,241
Rent	120	0	0	120
Extracurricular Activities	0	0	87,765	87,765
Customer Sales and Services	0	0	158,561	158,561
Miscellaneous	162,032	0	8,000	170,032
Total Revenues	<u>4,840,515</u>	<u>78,411</u>	<u>1,090,673</u>	<u>6,009,599</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,698,673	4,130	138,285	2,841,088
Special	382,957	0	180,244	563,201
Adult/Continuing	5,000	0	0	5,000
Other	1,974	0	8,798	10,772
Support Services:				
Pupils	229,146	0	3,420	232,566
Instructional Staff	243,074	0	23,213	266,287
Board of Education	7,263	0	0	7,263
Administration	598,760	42,605	12,926	654,291
Fiscal	175,619	100	15,855	191,574
Operation and Maintenance of Plant	497,574	0	0	497,574
Pupil Transportation	259,257	0	0	259,257
Operation of Non-Instructional Services	0	0	226,343	226,343
Extracurricular Activities	141,656	0	103,498	245,154
Capital Outlay	0	732,676	0	732,676
Debt Service:				
Principal	0	0	130,000	130,000
Interest	0	0	131,287	131,287
Total Expenditures	<u>5,240,953</u>	<u>779,511</u>	<u>973,869</u>	<u>6,994,333</u>
Excess of Revenues Over (Under) Expenditures	<u>(400,438)</u>	<u>(701,100)</u>	<u>116,804</u>	<u>(984,734)</u>
Net Change in Fund Balances	(400,438)	(701,100)	116,804	(984,734)
Fund Balance at Beginning of Year (See Note 21)	793,243	1,616,119	451,813	2,861,175
Fund Balance at End of Year	<u>\$ 392,805</u>	<u>\$ 915,019</u>	<u>\$ 568,617</u>	<u>\$ 1,876,441</u>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (984,734)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	\$ 300,984	
Depreciation	<u>(512,369)</u>	
		(211,385)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(1,080,865)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Income Taxes	1,346	
Delinquent Property Taxes	<u>179,351</u>	
		180,697

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

130,000

Interest charges reported on the statement of activities, that do no require the use of current financial resources, are not reported as expenditures in governmental funds.

(19,218)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>45,123</u>	
		<u>45,123</u>

Change in Net Assets of Governmental Activities

\$ (1,940,382)

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,140,000	\$ 1,021,816	\$ 1,021,816	\$ 0
Income Tax	385,000	423,891	423,891	0
Intergovernmental	3,189,000	3,078,389	3,078,389	0
Interest	20,000	27,618	30,694	3,076
Tuition and Fees	50,400	127,512	127,512	0
Rent	1,000	120	120	0
Miscellaneous	2,000	162,030	162,032	2
Total Revenues	<u>4,787,400</u>	<u>4,841,376</u>	<u>4,844,454</u>	<u>3,078</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,066,812	2,709,374	2,709,374	0
Special	1,000	382,957	382,957	0
Adult/Continuing	5,000	5,000	5,000	0
Other	12,000	1,974	1,974	0
Support Services:				
Pupils	159,078	228,780	228,780	0
Instructional Staff	237,619	261,308	261,307	(1)
Board of Education	9,542	7,263	7,263	0
Administration	869,462	602,617	602,618	1
Fiscal	186,595	176,367	176,387	20
Operation and Maintenance of Plant	514,624	503,232	503,232	0
Pupil Transportation	320,095	260,423	260,424	1
Extracurricular Activities	150,150	142,239	142,239	0
Total Expenditures	<u>5,531,977</u>	<u>5,281,534</u>	<u>5,281,555</u>	<u>21</u>
Excess of Revenues Over (Under) Expenditures	<u>(744,577)</u>	<u>(440,158)</u>	<u>(437,101)</u>	<u>3,057</u>
Net Change in Fund Balances	<u>(744,577)</u>	<u>(440,158)</u>	<u>(437,101)</u>	<u>3,057</u>
Fund Balance at Beginning of Year	1,101,883	1,101,883	1,101,883	0
Prior Year Encumbrances Appropriated	33,872	33,872	33,872	0
Fund Balance at End of Year	<u>\$ 391,178</u>	<u>\$ 695,597</u>	<u>\$ 698,654</u>	<u>\$ 3,057</u>

See Accompanying Notes to the Basic Financial Statements

ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 42,764
Total Assets	42,764
Liabilities	
Current Liabilities:	
Undistributed Monies	42,764
Total Liabilities	<u>\$ 42,764</u>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Antwerp Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's instructional/support facility staffed by 28 non-certified and 44 certified full-time teaching personnel who provide services to 719 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. 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 does not have any component units.

The District is associated with five organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Vocational School, Paulding County Schools Council, Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Paulding County Schools Council's Employees Insurance Benefits Program. These organizations are presented in Notes 16 and 17 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Classroom Facilities Fund are the District's major governmental funds:

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

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for financial resources to be used for the acquisition or construction of new school building.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's Agency Funds account for various student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level are made by the Treasurer.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

During fiscal year 2005, investments were limited to STAR Ohio.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$31,474, which includes \$12,590 assigned from other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

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

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for budget stabilization.

I. Capital Assets

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

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

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reflected in the fund statements.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

N. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

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

P. Estimates

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

Q. Pass-Through Grants

The Eisenhower and Handicapped Preschool special revenue funds are pass-through grants in which the Western Buckeye Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	(\$400,438)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	256,097
Accrued FY 2005, Not Yet Received in Cash	(252,158)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(598,609)
Accrued FY 2005, Not Yet Paid in Cash	581,447
Encumbrances Outstanding at Year End (Budget Basis)	(23,440)
Budget Basis	<u><u>(\$437,101)</u></u>

4. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 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 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 or deposit accounts, including passbook accounts.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (continued)

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

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

At June 30, 2005, the District had \$22,696 in cash with fiscal agent held by the Western Buckeye Educational Service Center, which is included on the statement of net assets and balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end the carrying balance of the District's cash was \$105,796. Of the District's \$149,556 bank balance, \$49,556 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (continued)

Investments

As of June 30, 2005, the District had \$2,195,142 invested in STAR Ohio.

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk - STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 real and tangible personal property taxes for 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES (continued)

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Paulding 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2005 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2005, was \$92,960 in the General Fund, \$21,379 in the Bond Retirement Debt Service Fund, and \$11,400 in the Capital Projects Fund. The amount available as an advance at June 30, 2004, was \$79,414 in the General Fund, \$18,465 in the Bond Retirement Debt Service Fund, and \$10,129 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$19,842,635	81%	\$41,456,510	76%
Industrial/Commercial	2,489,760	10%	8,681,940	16%
Public Utility	1,140,745	5%	2,411,060	4%
Tangible Personal	1,063,317	4%	1,758,050	4%
Total Assessed Value	<u>\$24,536,457</u>	<u>100%</u>	<u>\$54,307,560</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$49.25		\$45.45	

6. INCOME TAX

The District levies a voted tax of .75% for general operations on the income of residents and of estates. The permanent tax was approved by the voters on November 1990, and was effective January 1, 1991. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and Classroom Facilities Maintenance Fund.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2005, consisted of property tax, income tax, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental revenue was received by fiscal year end.

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 786,193	\$ 32,900	\$ 125,507	\$ 693,586
Total Nondepreciable Capital Assets	<u>786,193</u>	<u>32,900</u>	<u>125,507</u>	<u>693,586</u>
Depreciable Capital Assets				
Land Improvements	112,764	0	11,014	101,750
Buildings and Building Improvements	20,443,872	181,854	2,938,601	17,687,125
Furniture, Fixtures, and Equipment	1,893,224	86,230	47,708	1,931,746
Vehicles	618,389	0	0	618,389
Total Depreciable Capital Assets	<u>23,068,249</u>	<u>268,084</u>	<u>2,997,323</u>	<u>20,339,010</u>
Less Accumulated Depreciation				
Land Improvements	102,073	517	2,364	100,226
Buildings and Building Improvements	2,026,177	388,943	2,015,927	399,193
Furniture, Fixtures, and Equipment	515,361	84,247	23,674	575,934
Vehicles	358,729	38,662	0	397,391
Total Accumulated Depreciation	<u>3,002,340</u>	<u>512,369</u>	<u>2,041,965</u>	<u>1,472,744</u>
Depreciable Capital Assets, Net	<u>20,065,909</u>	<u>(244,285)</u>	<u>955,358</u>	<u>18,866,266</u>
Governmental Activities Capital Assets,	<u>\$20,852,102</u>	<u>(\$211,385)</u>	<u>\$1,080,865</u>	<u>\$19,559,852</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$361,970
Support Services:	
Pupil	140
Instructional Staff	1,417
Administration	63,591
Fiscal	356
Operation and Maintenance of Plant	36,694
Pupil Transportation	37,393
Non-Instruction	9,060
Extracurricular	1,748
Total Depreciation Expense	<u>\$512,369</u>

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. RESTRICTED ASSETS

The following amount, which is reflected on the statement of net assets, is restricted for budget stabilization.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 13,557

10. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages are provided as follows:

	Replacement Cost
<u>Ohio School Plan:</u>	
Inland Marine Coverage	
Musical Instruments (\$1,000 deductible)	\$ 150,000
Audio Visual Equipment (\$1,000 deductible)	200,000
Electronic Equipment (\$1,000 deductible)	616,626
Boiler and Machinery (\$1,000 deductible)	17,390,300
Crime Insurance (\$1,000 deductible)	25,000
Automobile Liability (\$500 deductible)	3,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Umbrella Liability	
Per occurrence	1,000,000
Total per year	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

B. Employee Medical Benefits

As of June 30, 2005 the District has contracted through the Paulding County Schools Council with Medical Mutual of Ohio as third party provider to provide employee medical/surgical benefits and also dental benefits. Rates are set through an annual calculation process. The District and the employees share the cost of the monthly premium with the Board.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. RISK MANAGEMENT (continued)

C. Workers' Compensation

For fiscal year 2005, the District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the performance and is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Anthem Comp Services provided administrative, cost control and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215, by calling (800) 878-5853, or by visiting the web site at www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which is currently 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$61,693, \$63,661, and \$53,744, respectively; 56 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$41,760.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. 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, 2005, plan members are 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 recommendation 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, 2005, 2004, and 2003 were \$340,220, \$364,626, and \$341,223, respectively; 85 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$54,252.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System (SERS) or the State Teachers Retirement System (STRS) have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected to be covered by SERS.

12. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. POSTEMPLOYMENT BENEFITS (continued)

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants currently receiving health care benefits is approximately 58,123.

13. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month, which is 15 days annually. For administrators, teachers, and classified employees, such days shall accumulate up to a maximum 235 days. Vested sick leave is accumulated and, if unused, is paid upon retirement at the rate of one-fourth of the accumulated sick leave when an employee has 10 years with the District. Administrative, certified, and classified employees are limited to a maximum of 50 paid days.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

13. EMPLOYEE BENEFITS (continued)

B. Life Insurance

The District provides life insurance to most employees through the Medical Life Insurance Company.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2005, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

	Interest Rate	Balance at 6/30/04	Additions	Deductions	Balance at 6/30/05	Due Within One Year
CURRENT OBLIGATIONS						
Permanent Improvement Loan		\$ 324,000	\$ 0	\$225,000	\$ 99,000	\$ 0
Total Current Debt						
LONG-TERM OBLIGATIONS						
OSFC School Construction Bonds						
Current Interest Serial Bonds	2.6% - 4.75% - 4.55% -	2,935,000	0	125,000	2,810,000	130,000
Capital Appreciation Bonds	4.65%	144,606	19,536	0	164,142	0
Asbestos Loan	0%	17,188	0	5,000	12,188	5,000
Total Long-Term Debt						
Compensated Absences		291,982	246,859	291,982	246,859	0
Total Debt Obligations						
		<u>\$3,712,776</u>	<u>\$266,395</u>	<u>\$646,982</u>	<u>\$3,332,189</u>	<u>\$135,000</u>

The OSFC Bond Issue was entered into in 2002 for the amount of \$3,260,998. The bond was issued for the construction of a new school building. This 2002 bond issue included current interest serial bonds, current interest term bonds and capital appreciation bonds in the amount of \$1,365,000, \$1,810,000 and \$85,998, respectively. The bonds are being retired from the Bond Retirement debt service fund.

The Asbestos Loan was entered into in 1988 through the United States Environmental Protection Agency. The purpose of this loan is to provide revenues for the removal of asbestos from school buildings. This interest free promissory note maturing in fiscal year 2008 had an original principal amount of \$102,068. The District will make semi-annual installments of \$2,500.

The Permanent Improvement Loan was a tax anticipation note that was entered into in February 2004 with a maturity date of December 2006. The loan was issued for the construction of the new school building. This loan is reported as a liability of the other governmental funds on the Governmental Funds' Balance Sheet.

Compensated absences will be paid from the fund that the employer's salary is paid. Compensated absences, additions and deletions have been netted because the calculation is an estimate making it impractical to determine.

The District's voted legal debt margin was (\$430,295) with an unvoted debt margin of \$26,714 at June 30, 2005.

Total expenditures for interest for the above debt for the period ended June 30, 2005 was \$131,287.

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. LONG-TERM OBLIGATIONS (continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2005 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 234,000	\$ 124,766	\$ 358,766
2007	140,000	118,413	258,413
2008	137,188	112,370	249,558
2009	140,000	107,280	247,280
2010	145,000	101,756	246,756
2011-2015	644,142	604,913	1,249,055
2016-2020	955,000	281,556	1,236,556
2021-2023	690,000	50,113	740,113
Total	<u>\$3,085,330</u>	<u>\$1,501,167</u>	<u>\$4,586,497</u>

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2005, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2004	(\$65,327)	\$ 0	\$13,557
Current Year Set-aside Requirement	93,665	93,665	0
Qualifying Disbursements	(29,771)	(248,270)	0
Total	<u>(\$ 1,433)</u>	<u>(\$154,605)</u>	<u>\$13,557</u>
Cash Balance Carried Forward to FY 2006	<u>(\$ 1,433)</u>	<u>\$ 0</u>	<u>\$13,557</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

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

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The District has an equity interest that is explicit and measurable in that the jointly governed organization stipulates that the participants have a future claim to the net resources of NOACSC upon dissolution. The agreement sets forth the method to determine each member's proportionate share.

B. Vantage Vocational School

The Vantage Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Vocational School, Ella J. Jackson, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891.

C. Paulding County Schools Council

The Paulding County Schools Council is a jointly governed organization among the Boards of Education of Antwerp Local School District, Paulding County Board of Education, Paulding Exempted Village School District and Wayne Trace Local School District. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. Financial information can be obtained from David Bagley, who serves as Chairman, at 303 South Harrmann Road, Antwerp, Ohio 45813.

17. GROUP PURCHASING POOLS

A. Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan

The District participates in a group-rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

B. The Paulding County School Council's Employee Insurance Benefits Program

The Paulding County School Council's Employee Insurance Benefits Program includes a health insurance plan. The plan is a risk-sharing pool among the Boards of Education of Antwerp Local School District, Paulding County Board of Education, Paulding Exempted Village School District and Wayne Trace Local School District. The purpose of the plan is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the Treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of a representative from each of the

**ANTWERP LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

17. GROUP PURCHASING POOLS (continued)

member school districts. The degree of control exercised by any participating member is limited to its representation on the council.

Financial information can be obtained from David Bagley, who serves as Chairman, at 303South Harrmann Road, Antwerp, Ohio 45813.

18. SCHOOL FUNDING DECISION

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

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

19. 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 are 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, 2005.

20. CHANGE IN ACCOUNTING PRINCIPLE

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

21. RESTATEMENT OF BEGINNING FUND BALANCES

The District's 2005 basic financial statements reflects prior period adjustment to the General Fund balance to properly reflect the District's obligation for contractually obligated pension liabilities, in accordance with GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*, issued in December 2004. This adjustment had the following effect on beginning balances:

	General Fund
Beginning Fund Balance, as previously reported	<u>\$ 828,947</u>
Intergovernmental Payable – Pension Liability	<u>(35,704)</u>
Beginning Fund Balance, as restated	<u>\$ 793,243</u>

Rea & Associates, Inc.

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We're Ready For Your Future

February 15, 2007

To the Board of Education
Antwerp Local School District
Antwerp, Ohio 45813

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Antwerp Local School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Antwerp Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide opinion 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 reportable 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 caused by error or fraud 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 certain matters that we have reported to management of the District in a separate letter dated February 15, 2007.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 15, 2007.

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

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

ANTWERP LOCAL SCHOOL DISTRICT

PAULDING 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
APRIL 19, 2007**