EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Edgerton Local School District
Williams County
324 North Michigan Avenue
Edgerton, Ohio 43517-9362

To the Board of Education

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

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

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

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

Betty Montgomery

Betty Montgomery
Auditor of State

December 19, 2003

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EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2003

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	$2,566,491	$37,344	$327,932	$8,720,463
Receivables:				
Taxes	1,597,714		489,765	122,082
Accounts	23,790			
Intergovernmental	1,029			
Accrued Interest	778			
Income Tax	223,143			
Materials and Supplies Inventory	200,504			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	**$4,613,449**	**$37,344**	**$817,697**	**$8,842,545**

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$8,177	$26,252			$11,686,659
				2,209,561
				23,790
				1,029
				778
				223,143
25,917				226,421
45,821		$7,426,437		7,472,258
(19,544)				(19,544)
			$346,473	346,473
			9,616,037	9,616,037
$60,371	**$26,252**	**$7,426,437**	**$9,962,510**	**$31,786,605**

(Continued)

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2003
(Continued)

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	$1,270	$824		
Contracts Payable				$376,310
Accrued Wages and Benefits	396,029	59		
Compensated Absences Payable	5,077			
Intergovernmental Payable	69,085			
Deferred Revenue	1,516,019		$471,224	116,485
Due to Students				
Energy Conservation Bonds Payable				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	1,987,480	883	471,224	492,795
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	44,264	2,075		7,259,836
Reserved for Inventory	200,504			
Reserved for Debt Service Principal			327,932	
Reserved for Property Taxes	81,695		18,541	5,597
Unreserved, Undesignated	2,299,506	34,386		1,084,317
Total Fund Equity and Other Credits	2,625,969	36,461	346,473	8,349,750
Total Liabilities, Fund Equity and Other Credits	**$4,613,449**	**$37,344**	**$817,697**	**$8,842,545**

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
				$2,094
				$376,310
$12,640				408,728
10,211			$401,986	417,274
6,039			39,504	114,628
				2,103,728
	$26,252			26,252
			120,000	120,000
			26,032	26,032
			9,374,988	9,374,988
28,890	26,252		9,962,510	12,970,034
		$7,426,437		7,426,437
6,862				6,862
24,619				24,619
				7,306,175
				200,504
				327,932
				105,833
				3,418,209
31,481		7,426,437		18,816,571
$60,371	**$26,252**	**$7,426,437**	**$9,962,510**	**$31,786,605**

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For The Year Ended June 30, 2003

	Governmental Fund Types	
	General	**Special Revenue**
Revenues:		
Intergovernmental	$2,351,615	$220,392
Interest	43,772	371
Tuition and Fees	64,357	
Extracurricular Activities		77,434
Income Tax	631,724	
Property and Other Local Taxes	1,635,041	
Miscellaneous	172,297	6,854
Total Revenues	4,898,806	305,051
Expenditures:		
Instruction:		
Regular	2,147,970	39,309
Special	247,736	47,542
Vocational	133,802	
Other	43,328	
Support services:		
Pupils	163,344	62,608
Instructional Staff	288,126	4,882
Board of Education	22,134	
Administration	505,675	5,000
Fiscal	218,020	
Operation and Maintenance of Plant	463,662	
Pupil Transportation	220,319	8,956
Central	97,953	10,500
Non-Instructional Services		75,123
Extracurricular activities	148,594	80,519
Capital Outlay	275,591	
Debt Service:		
Principal		
Interest		
Total Expenditures	4,976,254	334,439
Excess of Revenues Over (Under) Expenditures	(77,448)	(29,388)
Other Financing Sources (Uses)		
Operating Transfers In		7,500
Premium on Sale of Bonds		
Other Financing Sources		
Proceeds of Bonds		
Refund of Prior Year Expenditures	85,458	
Operating Transfers Out	(42,500)	
Refund of Prior Year Receipts	(1,000)	(492)
Total Other Financing Sources (Uses)	41,958	7,008
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(35,490)	(22,380)
Fund Balance at Beginning of Year	2,661,459	58,841
Fund Balance at End of Year	**$2,625,969**	**$36,461**

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

Governmental Fund Types		
Debt Service	Capital Projects	Totals (Memorandum Only)
$24,861	$10,521	$2,607,389
38,837	113,891	196,871
		64,357
		77,434
		631,724
305,989	77,706	2,018,736
	89,100	268,251
369,687	291,218	5,864,762
	22,040	2,209,319
		295,278
		133,802
		43,328
		225,952
		293,008
		22,134
		510,675
167,588	3,053	388,661
		463,662
		229,275
		108,453
		75,123
		229,113
	1,400,490	1,676,081
45,000		45,000
341,768		341,768
554,356	1,425,583	7,290,632
(184,669)	(1,134,365)	(1,425,870)
5,000		12,500
506,142		506,142
	31,109	31,109
	9,375,000	9,375,000
		85,458
		(42,500)
		(1,492)
511,142	9,406,109	9,966,217
326,473	8,271,744	8,540,347
20,000	78,006	2,818,306
$346,473	**$8,349,750**	**$11,358,653**

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For The Year Ended June 30, 2003

	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	$2,404,010	$2,350,586	($53,424)
Interest	75,000	44,859	(30,141)
Tuition and Fees	8,000	64,357	56,357
Extracurricular Activities			
Income Tax	660,000	628,945	(31,055)
Property and Other Local Taxes	1,587,760	1,616,145	28,385
Miscellaneous	92,000	148,507	56,507
Total Revenues	4,826,770	4,853,399	26,629
Expenditures:			
Current:			
Instruction:			
Regular	2,422,898	2,217,995	204,903
Special	254,096	252,398	1,698
Vocational	143,456	134,554	8,902
Other	50,000	43,328	6,672
Support services:			
Pupils	239,400	171,834	67,566
Instructional Staff	469,021	294,514	174,507
Board of Education	30,120	25,902	4,218
Administration	537,315	519,417	17,898
Fiscal	219,819	217,835	1,984
Operation and Maintenance of Plant	591,791	496,014	95,777
Pupil Transportation	289,635	225,695	63,940
Central	196,075	97,953	98,122
Non-Instructional Services			
Extracurricular activities	231,713	148,167	83,546
Capital Outlay	384,016	341,084	42,932
Debt Service:			
Principal			
Interest			
Total Expenditures	6,059,355	5,186,690	872,665
Excess of Revenues Under Expenditures	(1,232,585)	(333,291)	899,294
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Bonds			
Proceeds from Sale of Long-Term Notes			
Refund of Prior Year Expenditures		85,458	85,458
Advances In		30,000	30,000
Operating Transfers Out	(1,539,526)	(42,500)	1,497,026
Advances Out	(30,000)	(30,000)	
Refund of Prior Year Receipts	(1,000)	(1,000)	
Total Other Financing Sources (Uses)	(1,570,526)	41,958	1,612,484
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,803,111)	(291,333)	2,511,778
Fund Balance at Beginning of Year	2,725,843	2,725,843	
Prior Year Encumbrances Appropriated	86,447	86,447	
Fund Balance at End of Year	**$9,179**	**$2,520,957**	**$2,511,778**

Special Revenue			Debt Service		
Budget	**Actual**	**Variance: Favorable (Unfavorable)**	**Budget**	**Actual**	**Variance: Favorable (Unfavorable)**
$220,763	$220,392	($371)		$24,861	$24,861
	371	371		38,837	38,837
77,434	77,434				
			$356,164	287,448	(68,716)
2,000	6,854	4,854			
300,197	305,051	4,854	356,164	351,146	(5,018)
41,757	39,408	2,349			
47,989	47,989				
62,608	62,608				
4,882	4,882				
8,250	5,000	3,250			
			167,671	167,588	83
8,956	8,956				
10,500	10,500				
80,157	80,157				
112,048	84,556	27,492			
			9,747,849	9,420,000	327,849
			341,768	341,768	
377,147	344,056	33,091	10,257,288	9,929,356	327,932
(76,950)	(39,005)	37,945	(9,901,124)	(9,578,210)	322,914
11,000	7,500	(3,500)	5,000	5,000	
			9,876,123	9,881,142	5,019
(492)	(492)				
10,508	7,008	(3,500)	9,881,123	9,886,142	5,019
(66,442)	(31,997)	34,445	(20,001)	307,932	327,933
66,323	66,323		20,000	20,000	
119	119				
	$34,445	**$34,445**	**($1)**	**$327,932**	**$327,933**

(Continued)

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For The Year Ended June 30, 2003
(Continued)

	Capital Projects		
	Budget	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
Intergovernmental		$10,521	$10,521
Interest		113,891	113,891
Tuition and Fees			
Extracurricular Activities			
Income Tax			
Property and Other Local Taxes	$121,356	76,807	(44,549)
Miscellaneous	55,133	89,100	33,967
Total Revenues	176,489	290,319	113,830
Expenditures:			
Current:			
Instruction:			
Regular	22,040	22,040	
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	3,053	3,053	
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	9,630,813	8,660,326	970,487
Debt Service:			
Principal			
Interest			
Total Expenditures	9,655,906	8,685,419	970,487
Excess of Revenues Under Expenditures	(9,479,417)	(8,395,100)	1,084,317
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Bonds			
Proceeds from Sale of Long-Term Notes	9,406,109	9,406,109	
Refund of Prior Year Expenditures			
Advances In			
Operating Transfers Out			
Advances Out			
Refund of Prior Year Receipts	(9,179)		9,179
Total Other Financing Sources (Uses)	9,396,930	9,406,109	9,179
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(82,487)	1,011,009	1,093,496
Fund Balance at Beginning of Year	73,308	73,308	
Prior Year Encumbrances Appropriated			
Fund Balance at End of Year	**($9,179)**	**$1,084,317**	**$1,093,496**

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

Totals (Memorandum Only)		
Budget	**Actual**	**Variance: Favorable (Unfavorable)**
$2,624,773	$2,606,360	($18,413)
75,000	197,958	122,958
8,000	64,357	56,357
77,434	77,434	
660,000	628,945	(31,055)
2,065,280	1,980,400	(84,880)
149,133	244,461	95,328
5,659,620	5,799,915	140,295
2,486,695	2,279,443	207,252
302,085	300,387	1,698
143,456	134,554	8,902
50,000	43,328	6,672
302,008	234,442	67,566
473,903	299,396	174,507
30,120	25,902	4,218
545,565	524,417	21,148
390,543	388,476	2,067
591,791	496,014	95,777
298,591	234,651	63,940
206,575	108,453	98,122
80,157	80,157	
343,761	232,723	111,038
10,014,829	9,001,410	1,013,419
9,747,849	9,420,000	327,849
341,768	341,768	
26,349,696	24,145,521	2,204,175
(20,690,076)	(18,345,606)	2,344,470
16,000	12,500	(3,500)
9,876,123	9,881,142	5,019
9,406,109	9,406,109	
	85,458	85,458
	30,000	30,000
(1,539,526)	(42,500)	1,497,026
(30,000)	(30,000)	
(10,671)	(1,492)	9,179
17,718,035	19,341,217	1,623,182
(2,972,041)	995,611	3,967,652
2,885,474	2,885,474	
86,566	86,566	
($1)	**$3,967,651**	**$3,967,652**

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Type
For The Year Ended June 30, 2003

	Enterprise
Operating Revenues:	
Sales	$167,142
Operating Expenses:	
Salaries	89,931
Fringe Benefits	40,055
Purchased Services	114
Materials and Supplies	133,920
Depreciation	2,894
Other Operating Expenses	1,264
Total Operating Expenses	268,178
Operating Loss	(101,036)
Non-Operating Revenues	
Federal Donated Commodities	34,341
Interest	98
Federal and State Subsidies	40,340
Total Non-Operating Revenues	74,779
Loss Before Operating Transfers	(26,257)
Operating Transfers-In	30,000
Net Income	3,743
Retained Earnings at Beginning of Year	20,876
Retained Earnings at End of Year	**$24,619**

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

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended June 30, 2003

	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Sales	$167,683
Cash Payments to Suppliers for Goods and Services	(106,228)
Cash Payments for Contract Services	(113)
Cash Payments for Employee Services	(89,636)
Cash Payments for Employee Benefits	(39,108)
Other Cash Payments	(1,264)
Net Cash Used by Operating Activities	(68,666)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	44,621
Transfers In	30,000
Net Cash Provided by Noncapital Financing Activities	74,621
Cash Flows from Investing Activities:	
Interest Received	97
Net Cash Provided by Investing Activities	97
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(9,144)
Net Cash Used by Capital and Related Financing Activities	(9,144)
Net Decrease in Cash and Cash Equivalents	(3,092)
Cash and Cash Equivalents at Beginning of Year	11,269
Cash and Cash Equivalents at End of Year	**$8,177**

(Continued)

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended June 30, 2003
(Continued)

	Enterprise
Reconciliation of Operating Loss to Net Cash Cash Used by Operating Activities	
Operating Loss	($101,036)
Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:	
Depreciation	2,894
Donated Commodities Used During the Year	34,341
Adjustments to Capital Outlay	659
(Increase) Decrease in Assets:	
Accounts Receivable	541
Material and Supplies Inventory	(3,333)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(622)
Intergovernmental Payable	1,138
Deferred Revenue	(3,974)
Accrued Wages and Benefits	726
Total Adjustments	32,370
Net Cash Used by Operating Activities	**($68,666)**

The Food Service Fund consumed donated commodities with a value of $34,341. The use of these commodities is reflected as an operating expense.

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

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Edgerton Local School District (the District) operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board oversees the operations of the District's two instructional and support facilities.

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 six organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, Cisco Academy of Northwest Ohio, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 15 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Measurement Focus and Basis of Accounting

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

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed by the enterprise funds.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized on the modified accrual basis in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the fiscal 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.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue on the modified accrual basis.

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 the governmental funds.

The proprietary fund type utilizes the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The agency funds are custodial in nature and do not present results of operations or have measurement focus.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

GOVERNMENTAL FUNDS

The funds through which most Board of Education functions are typically financed.

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

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

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

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

FIDUCIARY FUNDS

The funds used to account for assets not owned by the Board, but held for a separate entity.

Agency Funds - The funds used to account for assets held by the District as an agent.

PROPRIETARY FUNDS

The funds used to account for Board activities that are similar to business operations in the private sector.

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

ACCOUNT GROUPS

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

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

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, for the General Fund, and at fund level for all other funds, which are the legal levels of budgetary control.

4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.

5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function, and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

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

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.

2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

3. The District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2003 follows:

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

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	$ (291,333)	$ (31,997)	$ 307,932	$ 1,011,009
Adjustments:				
Revenue Accruals	45,407	-	18,541	899
Expenditure Accruals	164,902	6,719	9,375,000	(376,310)
Other Sources/Uses	-	-	(9,375,000)	-
Encumbrances	45,534	2,898	-	7,636,146
GAAP Basis	$ (35,490)	$ (22,380)	$ 326,473	$ 8,271,744

D. Encumbrances

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

E. Pooled Cash and Investments

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

During 2003, investments were limited to STAR Ohio and repurchase agreements. Nonparticipating investments contracts, such as repurchase agreements, are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2003 amounted to $43,772, which includes $2,189 assigned to other funds.

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

F. Inventory

Inventories are valued at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in Governmental Funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The cost 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. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for asset in General Fixed Assets Account Group. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of ten years.

H. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund
State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds
Auxiliary Services Grant
Education Management Information Systems Grant (EMIS)
OneNet Data Communications
SchoolNet Professional Development
Eisenhower Grant
Title VI-B Flow Through Grant
Title I Grant
Title VI Grant
Drug Free Grant
Preschool Handicapped Grant
Title II-A
Title II-D

Capital Project Funds
SchoolNet

Reimbursable Grants

General Fund
Driver Education Reimbursement

Enterprise Fund
National School Lunch Program
Food Distribution Program

I. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans are reflected as interfund loan receivables and interfund loan payables.

J. Fund Balance Reserves

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, inventories of supplies and materials, property taxes, and debt service.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

K. 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.

L. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2003.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Total Columns on Financial Statements

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

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

6. The State Treasurer's investment pool (STAR Ohio); and

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

Cash on Hand

At year-end, the District had $100 in undeposited cash on hand, which is included on the balance sheet of the District as part of “equity in pooled cash and cash equivalents”.

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

Deposits

At year-end, the carrying amount of the District's deposits was $8,660,559 and the bank balance was $8,923,368. Of the bank balance, $200,000 was covered by Federal Depository Insurance and $8,723,368 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

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

The fair value and reported amount of amounts invested in the State Treasurer's Investment Pool (Star Ohio) was $3,026,000 as of June 30, 2003. Amounts in Star Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	$ 11,686,659	$ -
Cash on Hand	(100)	-
Investments:		
STAR Ohio	(3,026,000)	3,026,000
GASB Statement 3	$ 8,660,559	$ 3,026,000

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer of Williams and Defiance Counties collect real estate property taxes on behalf of all taxing districts within the County. The County Auditors periodically remit to the District their portion of the taxes collected with final settlement in March and September.

The County Treasurer of Williams and Defiance Counties collect personal property taxes on behalf of all taxing districts within the County. The County Auditors periodically remit to the District their portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2003. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2003.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Agricultural/Residential	$ 45,357,390
Commercial/Industrial	6,653,130
Public Utility	4,933,850
General Personal Property	12,985,390
Total valuation	$ 69,929,760

5. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

	Balance at 06/30/02	Additions	Disposals	Balance at 06/30/03
Land and land improvements	$ 114,614	$ 534,813	$ -	$ 649,427
Buildings	3,354,522	-	5,419	3,349,103
Furniture, fixtures, and equipment	2,091,615	210,858	86,011	2,216,462
Textbooks and library books	687,443	45,816	31,624	701,635
Construction in Progress	28,075	481,735	-	509,810
Total	$ 6,276,269	$ 1,273,222	$ 123,054	$ 7,426,437

A summary of the Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 06/30/03
Furniture and Equipment	$ 45,821
Less: Accumulated Depreciation	(19,544)
Totals	$ 26,277

6. RECEIVABLES

Receivables, at June 30, 2003, consisted of taxes, interest, accounts (billings for user charged services), intergovernmental, and income tax revenues. All receivables are considered collectable in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
Energy Conservation Bonds	$ 160,000	$ -	$ 40,000	$ 120,000
General Obligation Bonds	-	8,845,000	-	8,845,000
General Obligation Capital Appreciation Bonds		529,988		529,988
EPA Asbestos Notes	31,032	-	5,000	26,032
Total Long-Term Bonds and Notes	191,032	9,374,988	45,000	9,521,020
Pension Obligation	31,635	7,869	-	39,504
Compensated Absences	358,583	43,403	-	401,986
Total Long-Term Obligations	$ 581,250	$ 9,426,260	$ 45,000	$ 9,962,510

Debt outstanding at June 30, 2003 consisted of School Energy Conservation Bonds totaling $120,000, an Asbestos Abatement Note totaling $26,032, and School Improvement Bonds totaling $9,374,988 (interest rates were 5 percent for the energy conservation bonds, the note was free of interest, and the interest rates for the school improvement bonds were 2 percent to 4.6 percent). The Energy Conservation Bonds were issued in August 1996 and will mature in September 2005. The EPA Asbestos Notes were issued in June 1991 and will mature in November 2008. The school improvement bonds were issued in September 2002 and will mature December 2030.

School Improvement Bonds – 2002

The District issued $9,374,988 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bonds were issued on September 18, 2002. The bond issue included serial, term, and capital appreciation bonds in the amount of $4,770,000, $4,075,000 and $529,988, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The Term Bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Redemption Date (December 1)	Principal Amount to be Redeemed
2023	$ 430,000
2024	450,000
2025	470,000
2026	495,000

Unless otherwise called for redemption, the remaining $520,000 principal amount of the bonds due December 31, 2027 is to be paid at stated maturity.

The Term Bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2028, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Redemption Date (December 1)	Principal Amount to be Redeemed
2028	$ 545,000
2029	570,000

Unless otherwise called for redemption, the remaining $595,000 principal amount of the bonds due December 1, 2030 is to be paid at stated maturity.

The Current Interest Bonds maturing on December 1, 2012 and thereafter are subject to optional redemption, in whole or in part on any date in inverse order of maturity, by lot within the maturity, at the option of the District on or after December 1, 2012 at the redemption price of 100 percent.

If fewer than all of the outstanding Current Interest Bonds of a single maturity are called for redemption, the selection of Current Interest Bonds to be redeemed, or portion thereof in amounts of $5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar in any manner which the Paying Agent or Registrar may determine.

The Capital Appreciation Bonds will mature in fiscal years 2007 through 2011. The maturity amount of the bonds is $240,000 for fiscal year 2007 and $270,000 for the remaining fiscal years. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Total expenditures for interest for the above debt for the period ended June 30, 2003 was $341,768.

The scheduled payments of principal and interest on debt outstanding at June 30, 2003 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	$ 395,000	$ 402,882	$ 797,882
2005	250,000	364,933	614,933
2006	270,000	414,512	684,512
2007	133,242	484,206	617,448
2008	129,111	509,943	639,054
2009 – 2013	828,667	2,209,264	3,037,931
2014 – 2018	1,555,000	1,541,653	3,096,653
2019 – 2023	1,885,000	1,186,610	3,071,610
2024 – 2028	2,365,000	697,656	3,062,656
2029 - 2031	1,710,000	124,212	1,834,212
Total	$ 9,521,020	$ 7,935,871	$ 17,456,891

8. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 26 days. Employees with less than one year of service also accrue vacation, according to the Ohio Revised Code, not to exceed 10 days. Employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee retiring with five to nineteen years of service to the District is limited to 25 percent of the accumulated sick leave. Employees retiring with twenty or more years of service to the District are paid 30 percent of their accumulated sick leave. The amount of accumulated sick leave for all employees is limited to 220 days with a maximum of 197 days for retirement purposes.

At June 30, 2003 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were $5,077 and $401,986, respectively. The liability for compensated absences in the proprietary funds at June 30, 2003 was $10,211.

9. PENSION AND RETIREMENT PLANS

State Teachers Retirement System

The District participates in 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. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were $235,598, $237,935, and $223,122, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. $36,644 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were $40,445, $39,096, and $29,895, respectively; 52 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. $19,356 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds and the general long-term obligations account group.

10. 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 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.

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14 percent 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, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was $3.011 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were $354,697,000. There were 105,300 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. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were $182,946,777 and the target level was $274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were $335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount to fund health care benefits including surcharge equaled $70,368 during the 2003 fiscal year.

11. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2003 was as follows:

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	$ 144,464	$ 22,678	$ 167,142
Depreciation	2,894	-	2,894
Operating Loss	(99,864)	(1,172)	(101,036)
Donated Commodities	34,341	-	34,341
Grants	40,340	-	40,340
Interest	98	-	98
Operating Transfers - In	30,000	-	30,000
Net Income (Loss)	4,915	(1,172)	3,743
Net Working Capital	(20,918)	26,122	5,204
Total Assets	34,249	26,122	60,371
Total Liabilities	28,890	-	28,890
Total Equity	5,359	26,122	31,481

12. INTERFUND TRANSACTIONS

Transfers between funds during the year ended June 30, 2003 were as follows:

	Transfers In	Transfers Out
General Fund	$ -	$ 42,500
Special Revenue Funds	7,500	-
Debt Service Fund	5,000	-
Enterprise Fund	30,000	-
Total All Funds	$ 42,500	$ 42,500

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid $2,750 for services received through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center 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 educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Lois Knuth, who serves as Treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

14. RISK MANAGEMENT

A. Insurance-Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverages from last year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which include health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

15. INSURANCE POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. The District paid $503,408 for these services to NBEC in fiscal year 2003. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program. The District paid $584 for these services to NBEC in fiscal year 2003.

16. SCHOOL DISTRICT INCOME TAX

In 1991, the voters of the Edgerton Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2003, the District recorded income tax revenue of $631,724 in the General Fund, of which $223,143 is recorded as a receivable at June 30, 2003.

17. AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities

	Balance at 06/30/02	Change	Balance at 06/30/03
Assets	$ 36,844	$ (10,592)	$ 26,252
Liabilities	$ 36,844	$ (10,952)	$ 26,252

18. 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.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition.

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2002	$ (226,413)	$ -
Current Year Set-aside Requirement	94,956	94,956
Qualifying Disbursements	(144,163)	(376,159)
Total	$ (275,620)	$ (281,203)
Set-aside Balance Carried Forward to FY 2004	(275,620)	-

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

19. STATE SCHOOL FUNDING DECISION

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

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

20. CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District had the following contractual purchase commitments:

Company	Amount Remaining
Schnippel Construction	$ 4,195,117
A. Hattersley & Sons	1,654,204
Woolace Electric	725,505
Stonecreek Interior Systems	202,499
Dayton Fire Protection	113,699
Bushong Restaurant Equipment	207,702
Garmann/Miller Architects	73,701
Total	$ 7,172,427

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Auditor of State
Betty Montgomery

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

Edgerton Local School District
Williams County
324 North Michigan Avenue
Edgerton, Ohio 43517-9362

To the Board of Education

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

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2003.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

Betty Montgomery

Betty Montgomery
Auditor of State

December 19, 2003

Auditor of State
Betty Montgomery

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EDGERTON LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 27, 2004