



**Auditor of State
Betty Montgomery**

**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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SUMMIT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Revere Local School District
Summit County
3496 Everett Road
Bath, Ohio 44210-0340

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Revere Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Revere Local School District, Summit County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. In addition, as described in Note 3, the District restated June 30, 2002 Net Assets balances of the Governmental Type Activities and Business Type Activities to reflect a correction of an error from prior years.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

November 14, 2003

Revere Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of the Revere Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2003 are as follows:

- General Revenues accounted for \$29 million in revenue or 94% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2 million or 6% of total revenues of \$31 million.
- Total program expenses were \$27.4 million, \$26.6 million in Governmental Activities, \$.8 million in Business Type Activities.
- In total, net assets increased \$3.7 million. Net assets of governmental activities increased \$3.74 million, which represents a 42% increase from 2002. Net assets of business-type activities decreased \$.04 million or 40% decrease from 2002.
- Outstanding bonded debt decreased from \$14,953,667 to \$14,263,667 through the payment of bond principal.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

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- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service, uniform supplies and rental property are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called 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 School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (food service, uniform supplies, rental property); therefore, these statements will essentially match.

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Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$ 32,417,146	\$ 29,359,739	\$ 52,053	\$ 65,983	\$ 32,469,199	\$ 29,425,722
Capital Assets	19,831,333	20,418,455	84,843	107,188	19,916,176	20,525,643
Total Assets	52,248,479	49,778,194	136,896	173,171	52,385,375	49,951,365
Liabilities						
Long-Term Liabilities	(16,151,513)	(16,816,309)	(25,657)	(23,244)	(16,177,170)	(16,839,553)
Other Liabilities	(23,407,028)	(24,015,197)	(57,407)	(60,701)	(23,464,435)	(24,075,898)
Total Liabilities	(39,558,541)	(40,831,506)	(83,064)	(83,945)	(39,641,605)	(40,915,451)
Net Assets						
Invested in Capital Assets Net of Debt	5,567,666	5,464,788	84,843	107,188	5,652,509	5,571,976
Restricted	1,896,880	2,277,908	0	0	1,896,880	2,277,908
Unrestricted (Deficit)	5,225,392	1,203,992	(31,011)	(17,962)	5,194,381	1,186,030
Total Net Assets	\$ 12,689,938	\$ 8,946,688	\$ 53,832	\$ 89,226	\$ 12,743,770	\$ 9,035,914

Total assets increased by \$2.43 million with governmental assets increasing \$2.5 million and business-type assets decreasing approximately \$36,000. This increase was due to an increased amount of cash collected from a new levy that took effect in FY 2003. A decrease of approximately \$609,000 in total capital assets reflects depreciation exceeding additional purchases and was the majority of the decrease in governmental assets. Total liabilities decreased by \$1.3 million with governmental liabilities decreasing by \$1.27 million and business-type liabilities increasing by \$881. This decrease was the result of decreased deferred revenue of \$1.1 million and a decrease in long-term liabilities (outstanding bond debt) of \$690,000.

The net assets of the School District business-type activities decreased by approximately \$35,000 or 40%. This difference is in part a reflection of the \$8,463 advance made to the food service fund, a decline in the ending cash balance of the uniform supply fund of \$3,537 and a decline in the ending cash balance of the food service fund of \$1,585. All students and staff pay in advance for all lunch purchases and use a debit card at the point of sale. The net assets of the School District governmental activities increased 42%.

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Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB statement 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

(Table 2)
Governmental and Business-Type Activities

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 518,158	\$ 599,729	\$ 1,117,887
Operating Grants	794,264	98,518	892,782
Capital Grants	0	0	0
<i>General Revenue:</i>			
Property Taxes	23,300,086	0	23,300,086
Grants and Entitlements	5,117,302	0	5,117,302
Other	662,625	5	662,630
Total Revenues	30,392,435	698,252	31,090,687
Program Expenses			
Instruction	15,247,114	0	15,247,114
Support Services	9,440,134	0	9,440,134
Operation of Non-Instructional	261,564	0	261,564
Extracurricular Activities	850,089	0	850,089
Interest and Fiscal Charges	825,973	0	825,973
Food Services	0	641,274	641,274
Uniform School Supplies	0	114,120	114,120
Rental Property	0	2,563	2,563
Total Expenses	26,624,874	757,957	27,382,831
Increase (Decrease) in Net Assets (before transfers)	\$ 3,767,561	\$ (59,705)	\$ 3,707,856
Net Transfers	(24,311)	24,311	0
Increase (Decrease) in Net Assets	\$ 3,743,250	\$ (35,394)	\$ 3,707,856

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted

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State entitlements. All governmental activity had total revenues of \$30.4 million and expenses of \$26.6 million. Comparisons to 2002 have not been made since they are not available.

(Table 3)
Governmental Activities

	2003	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 15,247,114	\$ (14,734,028)
Support Services:		
Pupil and Instructional Staff	1,552,514	(1,319,300)
Board of Education, Administration		
Fiscal and Business	2,794,284	(2,794,284)
Operation and Maintenance of Plant	3,635,375	(3,634,212)
Pupil Transportation and Central	1,457,961	(1,437,982)
Operation of Non-Instructional Services	261,564	1,198
Extracurricular Activities	850,089	(567,871)
Interest and Fiscal Charges	825,973	(825,973)
	<u>\$ 26,624,874</u>	<u>\$ (25,312,452)</u>
Total	<u>\$ 26,624,874</u>	<u>\$ (25,312,452)</u>

Instruction and Student Support Services comprise 63% of governmental program expenses. Interest/Fiscal charges were 3%. Interest expense was attributable to the outstanding bonds, and fiscal expenses include payments to the County Fiscal Officer for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 19% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Revere Local School District students.

Business-Type Activities

Business-type activities include the food service operation, rental property and the sale of uniform school supplies. These programs had revenues including transfers in of \$722,563 and expenses of \$757,957 for fiscal year 2003. In fiscal year 2003 there was a decline in food service sales and this loss required a transfer of \$24,311 and an advance in the amount of \$8,463 from the General Fund to the Food Service Fund to offset the deficit cash balance. In reacting to this deficit, in fiscal year 2004 food prices were increased for student lunches by \$.15 and a marketing program was implemented featuring a la carte foods with greater student appeal. Business activities receive no direct support from tax revenues with the exception of fund transfers.

General Fund Budgeting Highlights

The School 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.

Revere Local School District
Management's Discussion and Analysis
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Unaudited

During the course of fiscal year 2003, there were no material changes to the School District's total general fund budget. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management. Total expenditures were 3.8%, or \$930,729 under the final budgeted amount of \$24.3 million. The most significant favorable variance occurred in capital outlay of \$284,672 which was attributable to the waterline project. The next highest favorable variance was in instructional salaries amounting to \$187,695 and resulted in part from substitute expenditures falling below budget.

For the general fund, budget basis revenue was \$25.4 million. No variance was shown for revenue between the budget and actual on the financial statements. The budget to actual reports, SM1 and SM2, are the budgetary tools used for revenue analysis and tracking.

Final appropriations of \$24.3 million were \$57,000 less than the original appropriation figure resulting in a variance of only 2%.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$35.6 million invested in land, buildings, and equipment. A total of \$35.3 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2003 balances compared with 2002 net of depreciation.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 1,900,942	\$ 1,900,942	\$ 0	\$ 0	\$ 1,900,942	\$ 1,900,942
Land Improvements	218,969	218,195	0	0	218,969	218,195
Buildings and Improvements	15,711,455	16,046,253	0	0	15,711,455	16,046,253
Furniture and Equipment	1,563,460	1,754,775	84,843	107,188	1,648,303	1,861,963
Vehicles	436,507	498,290	0	0	436,507	498,290
Totals	\$ 19,831,333	\$ 20,418,455	\$ 84,843	\$ 107,188	\$ 19,916,176	\$ 20,525,643

The \$609,467 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2003, this amounted to \$390,874 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks. See Note 8 for additional information.

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Management's Discussion and Analysis
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Debt

At June 30, 2003, the School District had \$14,263,667 in bonds outstanding with \$735,000 due within one year. During fiscal year 2003, \$690,000 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2003	Governmental Activities 2002
General Obligation Bonds:		
1993 Additions/Renovations	\$ 11,310,000	\$ 11,805,000
1993 Additions/Renovations	2,953,667	3,148,667
Totals	\$ 14,263,667	\$ 14,953,667

The proceeds of the 1993 bond issues were utilized for renovations of Hillcrest Elementary, the Middle School and the High School.

In October 2003, based upon a favorable interest rate environment, the School District refinanced the majority of the bonds. In a refinance transaction the original term and current dollar amount of bonds cannot exceed the original issuance. The savings to the constituents of the school district through the refinance transaction was \$1,800,000. Through the refinance transaction the School District's bond rating was upgraded from Baa1 to A2 from Moody's rating committee. See Note 13 for additional information.

Current Issues

As it relates to operating revenue provided by the State of Ohio, the School District is a "zero percent" State share district and what is called a funding guarantee. This status is assigned to the School District because of our property values that are significantly above the State average. The property value for calendar year 2002, the most recent figure available, is \$772,540,000. The ramifications associated with being a "zero percent" School District are extremely detrimental as it relates to funding from the State. The major ramifications are as follows: our state funding is capped, we receive no new money as new students enter the School District, and there is no supplemental funding for special needs students.

The School District continues to receive strong support from the residents of the school district. As the preceding information describes, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the School District was a 6.9 mill, fixed term, five year Emergency Levy in August 2001, the levy generates \$4.6 million annually. As an emergency levy the annual collection remains flat and does not grow as new value is added through new construction. At the time of passage in 2001 it was projected that this levy would provide adequate operating revenue through fiscal year 2004. Based upon the most recent Five Year Forecast, a new operating levy would be needed in calendar year 2006. The millage requirement for this new levy would need to be at a level that would both replace the revenue generated by the current emergency levy as well as provide for additional operating revenue.

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With House Bill 920 (passed in 1976) current levies do not provide inflationary revenue growth as valuation increases with the exception of inside millage and new construction. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, as a School District heavily dependent upon property taxes we are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 77% of revenues for governmental activities for the School District in fiscal year 2003.

The School District has also been negatively affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. In both fiscal year 2001 and 2003 we have had losses in tangible and real estate revenue attributable to overpayments from amended tangible returns, a loss of valuation due to properties being reclassified from taxable to exempt, and loss in tangible value due to significant economic downturn. Management has diligently planned expenses so that the last levy has stretched beyond the three years it was planned for. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our School District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The School District does not anticipate any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2003. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dave Forrest, Treasurer of Revere Local School District, P.O. Box 340, Bath, OH 44210, dforrest@revere.k12.oh.us.

Revere Local School District
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 9,487,558	\$ 40,557	\$ 9,528,115
Cash and Cash Equivalents:			
With Fiscal Agents	23,386	0	23,386
Receivables:			
Taxes	22,765,304	0	22,765,304
Internal Balances	8,463	(8,463)	0
Accounts	1,264	0	1,264
Intergovernmental	73,175	8,399	81,574
Inventory	57,996	11,560	69,556
Nondepreciable Capital Assets	1,900,942	0	1,900,942
Depreciable Capital Assets (Net)	17,930,391	84,843	18,015,234
<i>Total Assets</i>	<u>52,248,479</u>	<u>136,896</u>	<u>52,385,375</u>
Liabilities			
Accounts Payable	178,694	185	178,879
Accrued Wages and Benefits	2,151,431	47,859	2,199,290
Intergovernmental Payable	556,971	9,363	566,334
Deferred Revenue	20,169,695	0	20,169,695
Matured Bonds Payable	20,000	0	20,000
Matured Interest Payable	3,386	0	3,386
Claims Payable	326,851	0	326,851
Long Term Liabilities:			
Due Within One Year	846,655	206	846,861
Due Within More Than One Year	15,304,858	25,451	15,330,309
<i>Total Liabilities</i>	<u>39,558,541</u>	<u>83,064</u>	<u>39,641,605</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,567,666	84,843	5,652,509
Restricted for:			
Capital Projects	660,049	0	660,049
Debt Service	892,559	0	892,559
Other Purposes	344,272	0	344,272
Unrestricted	5,225,392	(31,011)	5,194,381
<i>Total Net Assets</i>	<u>\$ 12,689,938</u>	<u>\$ 53,832</u>	<u>\$ 12,743,770</u>

See accompanying notes to the basic financial statements.

Revere Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Instruction:			
Regular	\$ 12,442,933	\$ 238,581	\$ 83,074
Special	1,845,307	0	172,831
Vocational	464,797	0	0
Other	494,077	0	18,600
Support services:			
Pupils	1,052,076	0	139,013
Instructional staff	500,438	0	94,201
Board of education	191,475	0	0
Administration	1,776,383	0	0
Fiscal	751,491	0	0
Business	74,935	0	0
Operation and maintenance of plant	3,635,375	0	1,163
Pupil transportation	1,392,932	0	0
Central	65,029	0	19,979
Operation of non-instructional services	261,564	0	262,762
Extracurricular activities	850,089	279,577	2,641
Debt service:			
Interest and fiscal charges	825,973	0	0
<i>Total Governmental Activities</i>	<u>26,624,874</u>	<u>518,158</u>	<u>794,264</u>
Business-Type Activities			
Food Services	641,274	486,517	98,518
Uniform Supplies	114,120	110,311	0
Rental Property	2,563	2,901	0
<i>Total Business-Type Activities</i>	<u>757,957</u>	<u>599,729</u>	<u>98,518</u>
<i>Totals</i>	<u>\$ 27,382,831</u>	<u>\$ 1,117,887</u>	<u>\$ 892,782</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Net Transfers

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (Restated See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (12,121,278)	\$ 0	\$ (12,121,278)
(1,672,476)	0	(1,672,476)
(464,797)	0	(464,797)
(475,477)	0	(475,477)
(913,063)	0	(913,063)
(406,237)	0	(406,237)
(191,475)	0	(191,475)
(1,776,383)	0	(1,776,383)
(751,491)	0	(751,491)
(74,935)	0	(74,935)
(3,634,212)	0	(3,634,212)
(1,392,932)	0	(1,392,932)
(45,050)	0	(45,050)
1,198	0	1,198
(567,871)	0	(567,871)
<u>(825,973)</u>	<u>0</u>	<u>(825,973)</u>
<u>(25,312,452)</u>	<u>0</u>	<u>(25,312,452)</u>
0	(56,239)	(56,239)
0	(3,809)	(3,809)
<u>0</u>	<u>338</u>	<u>338</u>
<u>0</u>	<u>(59,710)</u>	<u>(59,710)</u>
<u>(25,312,452)</u>	<u>(59,710)</u>	<u>(25,372,162)</u>
21,208,969	0	21,208,969
1,012,556	0	1,012,556
1,078,561	0	1,078,561
5,117,302	0	5,117,302
167,079	5	167,084
495,546	0	495,546
<u>(24,311)</u>	<u>24,311</u>	<u>0</u>
29,055,702	24,316	29,080,018
3,743,250	(35,394)	3,707,856
<u>8,946,688</u>	<u>89,226</u>	<u>9,035,914</u>
<u>\$ 12,689,938</u>	<u>\$ 53,832</u>	<u>\$ 12,743,770</u>

Revere Local School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Permanent Improvement Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 6,727,036	\$ 691,613	\$ 1,139,338	\$ 8,557,987
Cash and Cash Equivalents:				
With Fiscal Agents	0	0	23,386	23,386
Receivables:				
Taxes	21,042,474	1,053,293	669,537	22,765,304
Interfund	9,727	0	0	9,727
Intergovernmental	0	0	73,175	73,175
Inventory	57,996	0	0	57,996
<i>Total Assets</i>	<u>\$ 27,837,233</u>	<u>\$ 1,744,906</u>	<u>\$ 1,905,436</u>	<u>\$ 31,487,575</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 1,516	\$ 176,095	\$ 1,083	\$ 178,694
Accrued Wages and Benefits	2,135,973	0	15,458	2,151,431
Intergovernmental Payable	404,411	0	3,547	407,958
Deferred Revenue	19,261,022	961,876	649,452	20,872,350
Matured Bonds Payable	0	0	20,000	20,000
Matured Interest Payable	0	0	3,386	3,386
<i>Total Liabilities</i>	21,802,922	1,137,971	692,926	23,633,819
Fund Balances				
Reserved for Encumbrances	822,541	531,203	100,510	1,454,254
Reserved for Inventory	57,996	0	0	57,996
Reserved for Tax Revenue Unavailable for Appropriation	1,781,452	91,417	58,260	1,931,129
Unreserved:				
Undesignated, Unreserved Reported in:				
General Fund	3,372,322	0	0	3,372,322
Special Revenue Funds	0	0	208,961	208,961
Debt Service Fund	0	0	819,001	819,001
Capital Projects Funds	0	(15,685)	25,778	10,093
<i>Total Fund Balances</i>	<u>6,034,311</u>	<u>606,935</u>	<u>1,212,510</u>	<u>7,853,756</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 27,837,233</u>	<u>\$ 1,744,906</u>	<u>\$ 1,905,436</u>	<u>\$ 31,487,575</u>

See accompanying notes to the basic financial statements.

Revere Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances		\$ 7,853,756
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		19,831,333
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	38,175	
Delinquent Property Taxes	664,480	702,655
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		602,720
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds		(14,263,667)
Compensated Absences		(1,862,846)
Intergovernmental Payable		(149,013)
Early Retirement Incentive Payable		(25,000)
Net Assets of Governmental Activities		\$ 12,689,938

Revere Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 21,068,593	\$ 1,071,581	\$ 1,021,145	\$ 23,161,319
Intergovernmental	4,855,012	139,069	940,944	5,935,025
Investment income	158,836	19	1,993	160,848
Tuition and fees	238,581	0	0	238,581
Extracurricular	0	0	279,577	279,577
Miscellaneous	174,119	0	31,791	205,910
<i>Total Revenues</i>	26,495,141	1,210,669	2,275,450	29,981,260
Expenditures:				
Current:				
Instruction:				
Regular	11,107,278	0	138,478	11,245,756
Special	1,753,659	0	154,362	1,908,021
Vocational	452,726	0	0	452,726
Other	486,405	0	7,672	494,077
Support services:				
Pupils	939,711	0	124,531	1,064,242
Instructional staff	415,193	0	77,518	492,711
Board of education	191,475	0	0	191,475
Administration	1,740,448	0	3,244	1,743,692
Fiscal	704,981	15,357	14,821	735,159
Business	54,896	20,039	0	74,935
Operation and maintenance of plant	2,904,727	961,561	1,920	3,868,208
Pupil transportation	1,261,929	102,762	6,174	1,370,865
Central	18,950	34,334	7,935	61,219
Operation of non-instructional services	0	0	278,386	278,386
Extracurricular activities	526,243	0	342,782	869,025
Capital outlay	231,814	69,750	0	301,564
Debt service:				
Principal retirement	0	0	690,000	690,000
Interest and fiscal charges	0	0	825,973	825,973
<i>Total Expenditures</i>	22,790,435	1,203,803	2,673,796	26,668,034
<i>Excess of Revenues Over (Under) Expenditures</i>	3,704,706	6,866	(398,346)	3,313,226
Other Financing Sources (Uses):				
Transfers in	0	0	38,000	38,000
Transfers out	(62,311)	0	0	(62,311)
<i>Total Financing Sources and (Uses)</i>	(62,311)	0	38,000	(24,311)
<i>Net Change in Fund Balance</i>	3,642,395	6,866	(360,346)	3,288,915
<i>Fund balance (deficit) at beginning of year (Restated See Note 3)</i>	2,395,376	600,069	1,572,856	4,568,301
<i>Increase (decrease) in reserve for inventory</i>	(3,460)	0	0	(3,460)
<i>Fund balance (deficit) at end of year</i>	\$ 6,034,311	\$ 606,935	\$ 1,212,510	\$ 7,853,756

See accompanying notes to the basic financial statements.

Revere Local School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds	\$	3,288,915
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in 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 depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	689,357	
Current Year Depreciation	<u>(1,268,350)</u>	(578,993)
 Net effect of transactions involving sale of capital assets are not reflected in the funds		
		(8,129)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Grants	38,175	
Delinquent Property Taxes	<u>75,982</u>	114,157
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	<u>690,000</u>	690,000
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(20,204)	
Pension Obligation	(4,503)	
Change in Inventory	<u>(3,460)</u>	(28,167)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>265,467</u>
Change in Net Assets of Governmental Activities	\$	<u>3,743,250</u>

Revere Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 19,765,139	\$ 19,871,084	\$ 19,871,084	\$ 0
Intergovernmental	5,011,065	5,037,925	5,037,925	0
Investment Income	156,496	157,335	157,335	0
Tuition and Fees	237,309	238,581	238,581	0
Rentals	44,874	45,115	45,115	0
Miscellaneous	129,808	130,504	130,504	0
<i>Total Revenues</i>	<u>25,344,691</u>	<u>25,480,544</u>	<u>25,480,544</u>	<u>0</u>
Expenditures:				
Current				
Instruction	14,388,163	14,154,188	13,966,493	187,695
Support Services				
Pupils	949,292	1,042,992	1,010,641	32,351
Instructional Staff	425,679	454,654	443,839	10,815
Board of Education	300,088	309,138	284,477	24,661
Administration	1,984,396	1,875,846	1,748,997	126,849
Fiscal	691,508	740,208	711,221	28,987
Business	93,690	97,840	77,887	19,953
Operation and Maintenance of Plant	3,186,800	3,078,800	3,004,966	73,834
Pupil Transportation	1,096,656	1,316,206	1,281,817	34,389
Central	34,751	34,751	18,856	15,895
Extracurricular Activities	629,516	633,916	543,288	90,628
Capital Outlay	590,000	575,000	290,328	284,672
<i>Total Expenditures</i>	<u>24,370,539</u>	<u>24,313,539</u>	<u>23,382,810</u>	<u>930,729</u>
Excess of Revenues Over (Under) Expenditures	974,152	1,167,005	2,097,734	930,729
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	15,347	15,347	0
Advances In	0	498	498	0
Advances Out	(35,000)	(70,000)	(9,155)	60,845
Operating Transfers Out	(40,000)	(65,000)	(62,311)	2,689
<i>Total Other Financing Sources (Uses)</i>	<u>(75,000)</u>	<u>(119,155)</u>	<u>(55,621)</u>	<u>63,534</u>
<i>Net Change in Fund Balance</i>	899,152	1,047,850	2,042,113	994,263
<i>Fund Balance (Deficit) at Beginning of Year</i>	3,362,127	3,362,127	3,362,127	0
Prior Year Encumbrances Appropriated	498,740	498,740	498,740	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,760,019</u>	<u>\$ 4,908,717</u>	<u>\$ 5,902,980</u>	<u>\$ 994,263</u>

See accompanying notes to the basic financial statements.

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Revere Local School District
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business -Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Fund
Assets		
<i>Current</i>		
Equity in Pooled Cash and Cash Equivalents	\$ 40,557	\$ 929,571
Intergovernmental Receivable	8,399	0
Inventory	11,560	0
<i>Total Current Assets</i>	60,516	929,571
<i>Non-Current</i>		
Depreciable Capital Assets (Net)	84,843	0
<i>Total Assets</i>	145,359	929,571
Liabilities		
<i>Current</i>		
Accounts Payable	185	0
Accrued Wages and Benefits	47,859	0
Vacations Payable	206	0
Interfund Payable	8,463	0
Intergovernmental Payable	9,363	0
Claims Payable	0	326,851
<i>Total Current Liabilities</i>	66,076	326,851
<i>Long Term Liabilities</i>		
Compensated Absences	25,451	0
<i>Total Liabilities</i>	91,527	326,851
Net Assets		
Invested in Capital Assets, Net of Related Debt	84,843	0
Unrestricted	(31,011)	602,720
<i>Total Net Assets</i>	\$ 53,832	\$ 602,720

See accompanying notes to the basic financial statements.

Revere Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues:		
Sales	\$ 596,828	\$ 0
Other operating revenues	<u>2,901</u>	<u>2,454,747</u>
<i>Total Operating Revenues</i>	<u>599,729</u>	<u>2,454,747</u>
Operating Expenses:		
Salaries	216,571	0
Fringe benefits	134,114	0
Purchased services	10,724	308,497
Materials and supplies	381,903	0
Depreciation	13,885	0
Claims	0	1,887,014
Miscellaneous	<u>760</u>	<u>0</u>
<i>Total Operating Expenses</i>	<u>757,957</u>	<u>2,195,511</u>
Operating income (loss)	<u>(158,228)</u>	<u>259,236</u>
Non-Operating Revenues (Expenses):		
Federal donated commodities	43,227	0
Operating grants	55,291	0
Interest	<u>5</u>	<u>6,231</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>98,523</u>	<u>6,231</u>
<i>Income (Loss) Before Operating Transfers</i>	(59,705)	265,467
Transfers in	<u>24,311</u>	<u>0</u>
<i>Change in Net Assets</i>	(35,394)	265,467
<i>Net Assets Beginning of Year (As Restated)</i>	<u>89,226</u>	<u>337,253</u>
<i>Net Assets End of Year</i>	<u>\$ 53,832</u>	<u>\$ 602,720</u>

See accompanying notes to the basic financial statements.

Revere Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 599,729	\$ 0
Cash Received from Quasi-External Transactions with Other Funds	0	2,454,747
Other Cash Receipts	0	0
Cash Paid for Goods and Services	(347,699)	(308,497)
Cash Paid to Employees	(344,572)	0
Cash Paid for Claims	0	(1,684,456)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(92,542)</u>	<u>461,794</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers from Other Funds	24,311	0
Advances from Other Funds	8,463	0
Operating Grants Received	54,979	0
<i>Net Cash Provided By (Used For) Non-Capital Activities</i>	<u>87,753</u>	<u>0</u>
Cash Flows From Investing Activities:		
Interest on Investments	5	6,231
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>5</u>	<u>6,231</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(4,784)	468,025
<i>Cash and Cash Equivalents at Beginning of Year</i>	45,341	461,546
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 40,557</u>	<u>\$ 929,571</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$ (158,228)	\$ 259,236
Adjustments:		
Depreciation	13,885	0
Federal Donated Commodities	43,227	0
(Increase) Decrease Assets		
Inventory	995	0
Loss on Sale of Capital Asset	8,460	0
Increase (Decrease) in Liabilities		
Accounts Payable	126	0
Accrued Wages and Benefits	12,638	0
Compensated Absences Payable	2,413	0
Due to Other Governments	(8,938)	0
Deferred Revenue	(7,120)	0
Claims Payable	0	202,558
<i>Total Adjustments</i>	<u>65,686</u>	<u>202,558</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (92,542)</u>	<u>\$ 461,794</u>

See accompanying notes to the basic financial statements.

Revere Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 18,290	\$ 71,622
Liabilities		
Undistributed Monies	\$ 0	\$ 70,358
Accounts Payable	0	1,264
<i>Total Liabilities</i>	0	\$ 71,622
Net Assets		
Held in Trust for Scholarships	18,290	
<i>Total Net Assets</i>	\$ 18,290	

Revere Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$ 1,375
Deductions	
	146
<i>Change in Net Assets</i>	1,229
<i>Net Assets Beginning of Year</i>	17,061
<i>Net Assets End of Year</i>	\$ 18,290

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 1 – Description of the School District

The Revere Local School District (the "School 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 School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District is located in Summit County and encompasses the Village of Richfield, Richfield Township, and Bath Township. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. The Board controls the School District's four instructional/support facilities staffed by 81 classified 223 certificated teaching personnel, and 17 administrators, who provide services to community members and 2,872 students.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units. The following activities are included within the reporting entity:

Nonpublic School - Within the School District boundaries, Old Trail School is operated as a nonpublic school. Current State legislation provides funding to this school. This money is received and disbursed on behalf of the school by the Treasurer of the School District, as directed by the school. The activity of this State money is reflected in a special revenue fund by the School District for financial reporting purposes.

The School District is associated with the Tri-Rivers Educational Computer Association, the Cuyahoga Valley Career Center and the Ohio Schools Council, which are defined as jointly governed organizations. See Note 18.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activities, business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The School District also has the option of following subsequent private sector

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private sector guidance. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the three business-type activities of the School District. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 following are the School District's major governmental funds:

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following are the School District's proprietary fund types:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's has no major enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical, dental, and prescription drug benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust, scholarship fund and agency funds. The School District's agency funds account for student advance placement testing and student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non fiduciary assets and all liabilities associated with the operation of the School District are included on the statement of 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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are

REVERE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

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

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, 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 are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

REVERE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

Under 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 governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each funds' interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the Financial Statements as "Cash and Cash Equivalents with Fiscal Agent."

During fiscal year 2003, investments were limited to repurchase agreements and certificates of deposit. These nonparticipating investment contracts are reported at cost.

For purposes of the Statement of Cash Flows, investments of the cash management pool and investments with maturity of 3 months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than 3 months that are not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$158,836, which includes \$42,505 assigned from other School District funds.

F. Inventory

On 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 fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and capital improvements. See Note 20 for additional information regarding set asides. The School District has no restricted assets for 2003.

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of capital assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School 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.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	10 - 40 Years	N/A
Furniture and Fixtures	5 - 20 Years	20 Years
Vehicles	8	N/A

I. 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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. See Note 16.

J. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are eligible to receive termination benefits and those the School District had 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 School District's termination policy. The School District records a liability for accumulated unused sick leave, at the following rates: 70 percent for employees with 1 to 10 years of service, 90 percent for employees with 11 to 20 years of service, 98 percent for employees with 21 to 30 years of service, based on historical employment trends.

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 are reported as obligations of the funds. However, claims and judgments compensated absences, special termination benefits 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 fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

L. 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, and property taxes.

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues include sales for food service and uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

REVERE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

O. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after nonoperating revenues/expenses in proprietary 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. 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 Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

Q. 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.

R. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board 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. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

Note 3 – Change in Accounting Principle and Restatement of Fund Balances/Net Assets

Changes in Accounting Principles For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

The government-wide financial statements split the School District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

Restatement of Fund Balance The following describes the transition from governmental fund balance to net assets of the governmental activities.

	General	Permanent Improvement Capital Projects	Nonmajor	Governmental Activities Total	Business Type Activities
Fund Balances/Retained Earnings, June 30, 2002	\$ 2,666,681	\$ 600,069	\$ 1,572,856	\$ 4,839,606	\$ 99,690
Correction of Error:					
Insurance Accrual Adjustment*	(271,305)	0	0	(271,305)	(10,464)
Restated Fund Balance Retained Earnings, June 30, 2002	<u>\$ 2,395,376</u>	<u>\$ 600,069</u>	<u>\$ 1,572,856</u>	<u>\$ 4,568,301</u>	<u>\$ 89,226</u>
GASB 34 Adjustments:					
Capital Assets				20,418,455	
Compensated Absences				(1,842,642)	
Internal Service Fund				337,253	
Pension Obligations				(149,510)	
Long-Term (Deferred) Assets				588,498	
Long-Term Liabilities				<u>(14,973,667)</u>	
Net Assets, June 30, 2002				<u>\$ 8,946,688</u>	<u>\$ 89,226</u>

*The Insurance Accrual Adjustment accounts for June 2002 dental insurance premiums paid in fiscal year 2003 which were inadvertently not accrued as a liability at June 30, 2002.

This adjustment would have changed the June 30, 2002, General Fund's Excess of Revenue Over Expenditures from \$2,668,134 to \$2,396,829 and the Food Service Enterprise Fund's Net Income from \$344 to a Net Loss of \$10,120.

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above 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, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

REVERE LOCAL SCHOOL DISTRICT

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ 3,642,395
Net Adjustment for Revenue Accruals	(999,250)
Advance In	498
Advance Out	(9,155)
Net Adjustment for Expenditure Accruals	231,682
Adjustment for Encumbrances	<u>(824,057)</u>
Budget Basis	<u>\$ 2,042,113</u>

Note 5 – Deposits and Investments

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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For the Fiscal Year Ended June 30, 2003*

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$4,251,413 and the bank balance was \$4,482,392. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
 2. \$4,182,392 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal
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REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - The School District's investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the School District's name. The School District had outstanding repurchase agreements (Category 3) with a carrying and fair value of \$5,390,000 at June 30, 2003.

Note 6 - Property Taxes

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

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

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$1,781,452 in the General Fund, \$58,260 in the Debt Service Fund, and \$91,417 in the Permanent Improvement Capital Projects Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$638,613,290	93.39 %	\$725,913,990	93.96 %
Public Utility Personal	18,539,150	2.71	19,117,850	2.47
Tangible Personal Property	26,667,302	3.90	27,508,357	3.56
Total	<u>\$683,819,742</u>	<u>100.00 %</u>	<u>\$772,540,197</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$60.21		\$58.16	

Note 7 - Receivables

Receivables at June 30, 2003, consisted of taxes, intergovernmental grants and interfund. 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 receivable at June 30 consisted of Other Governmental Funds of \$73,175 and Enterprise Fund of \$8,399.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance 6/30/02	Additions	Reductions	Balance 6/30/03
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,900,942	\$ 0	\$ 0	\$ 1,900,942
<i>Capital Assets, being depreciated:</i>				
Land Improvements	497,604	20,841	0	518,445
Buildings and Improvements	25,571,908	245,089	0	25,816,997
Furniture and Equipment	4,525,047	327,417	(22,483)	4,829,981
Vehicles	2,144,010	96,010	0	2,240,020
Total Capital Assets, being depreciated	32,738,569	689,357	(22,483)	33,405,443
Less Accumulated Depreciation:				
Land Improvements	(279,409)	(20,067)	0	(299,476)
Buildings and Improvements	(9,525,655)	(579,887)	0	(10,105,542)
Furniture and Equipment	(2,770,272)	(510,603)	14,354	(3,266,521)
Vehicles	(1,645,720)	(157,793)	0	(1,803,513)
Total Accumulated Depreciation	(14,221,056)	(1,268,350)	14,354	(15,475,052)
Total Capital Assets being depreciated, net	18,517,513	(578,993)	(8,129)	17,930,391
Governmental Activities Capital Assets, Net	<u>\$ 20,418,455</u>	<u>\$ (578,993)</u>	<u>\$ (8,129)</u>	<u>\$ 19,831,333</u>
Business-Type Activities				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 349,379	\$ 0	\$ (13,441)	\$ 335,938
Less Accumulated Depreciation	(242,191)	(13,885)	4,981	(251,095)
Business-Type Activities Capital Assets, Net	<u>\$ 107,188</u>	<u>\$ (13,885)</u>	<u>\$ (8,460)</u>	<u>\$ 84,843</u>

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	1,181,164
Special		2,526
Support Services:		
Pupil		1,549
Instructional Staff		4,188
Administration		777
Fiscal		1,069
Operation and Maintenance of Plant		31,290
Pupil Transportation		41,270
Central		3,810
Extracurricular Activities		707
		<hr/>
Total Depreciation	\$	<u>1,268,350</u>

Note 9 – Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. During fiscal year 2003, the School District contracted with a private insurance company for commercial property insurance and boiler and machinery coverage (\$41,344,414 blanket combined building and personal property, \$5,000 deductible), and with another insurance company for commercial auto coverage (\$2,000,000 combined single limit, \$500 comprehensive/\$500 collision deductible for vehicles, \$500 comprehensive/\$1,000 collision deductible for buses). Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Workers' Compensation

The School District pays the State Workers' Compensation system a premium based on a rate of \$.54 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

C. Employee Medical Benefits

Medical and prescription coverage is provided on a self-insured basis through Anthem, Blue Cross, and Blue Shield of Ohio. Monthly premiums are \$924.85 for the family Exclusive Provider Organization (EPO) plan, \$908.35 for the family Preferred Provider Organization (PPO) plan, \$355.81 for the single EPO plan and \$349.40 for the single PPO plan. The School District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

Dental coverage is provided on a self-insured basis through Anthem, Blue Cross, and Blue Shield of Ohio. Monthly premiums are \$91.00 for family coverage and \$35.00 for single coverage. The School District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

The claims liability of \$326,851 reported in the internal service fund at June 30, 2003, is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the School District's third-party administrator. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

A summary of the fund's claims liability during the past two fiscal years are as follows:

Changes in the fund's claims liability amount in 2003 and 2002 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$ 185,231	\$ 1,531,726	\$ 1,592,664	\$ 124,293
2003	\$ 124,293	\$ 1,887,014	\$ 1,684,456	\$ 326,851

Note 10 - Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$243,454, \$154,585, and \$143,603 respectively; 50 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

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

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,467,169, \$1,015,775, and \$1,051,218 respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

C. Social Security System

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

Note 11 - Postemployment Benefits

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

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$112,859 during the 2003 fiscal year.

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

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2003, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$218,472.

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. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS had approximately 50,000 participants currently receiving health care benefits.

Note 12 – Other Employee Benefits

A. Life Insurance

The School District provides life insurance to employees through the Ohio Schools Council, Anthem, in the amount of \$25,000 for certificated employees. Life insurance is provided for classified employees based on the following graduated base, determined by years of service and hours worked:

<u>Years of Service</u>	<u>30 hours or more per week</u>	<u>Under 30 hours per week</u>
0-4	\$ 8,000	\$ 6,000
5-9	13,000	9,000
10-20	15,000	11,000
21+	17,000	13,000

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, and administrators who are contracted to work no less than 11 months, earn 10 to 25 days of vacation per year depending upon length of service. Vacation time is not cumulative from year to year. Teachers and administrators who work less than 12 months do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 280 days. Upon retirement, School District employees receive one-fourth of total unused sick leave, up to the maximum, based on the number of credited service years.

C. Special Termination Benefits

Employees meeting the retirement requirements included in negotiated agreements, and the provisions of the retirement systems, receive a salary incentive when they retire from active service in the amount of \$4,000 for 12-month employees and \$2,000 for 9-month employees.

Eligibility requirement for participation in this program:

1. The employee shall be serving a full-time contractual position of nine (9) or more months, and 30 or more hours.
2. The employee shall have a minimum of fifteen (15) years of service.
3. The employee must retire in the first year in which he/she is eligible to receive service retirement benefits through the SERS. Eligibility is when the employee is 60 or more years of age with 10 years of service, 55 years of age with 25 years of service, or 30 years of service at any age. If an employee reaches 60 or more years of age, but only has 24 years of service, the employee will be given one year to retire and receive the incentive. For the first year of the agreement (2002-2003) employees will be given one year from the effective date of the agreement to retire and receive the incentive if: he/she is 60 or more years of age; he/she is 55 or more years of age with 25 years of service; and he/she has 30 years of service at any age.

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 13 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	<u>Outstanding 6/30/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 6/30/2003</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
General Obligation Bonds:					
1993 Improvement 6.04%	\$ 11,805,000	\$ 0	\$ 495,000	\$ 11,310,000	\$ 530,000
1993 Improvement 5.62%	3,148,667	0	195,000	2,953,667	205,000
	<u>14,953,667</u>	<u>0</u>	<u>690,000</u>	<u>14,263,667</u>	<u>735,000</u>
Compensated Absences	1,842,642	219,266	199,062	1,862,846	111,655
Early Retirement Incentive	20,000	25,000	20,000	25,000	0
	<u>1,862,642</u>	<u>244,266</u>	<u>219,062</u>	<u>1,887,846</u>	<u>111,655</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 16,816,309</u>	<u>\$ 244,266</u>	<u>\$ 909,062</u>	<u>\$ 16,151,513</u>	<u>\$ 846,655</u>
Business-Type Activities					
Compensated Absences	<u>\$ 23,244</u>	<u>\$ 2,413</u>	<u>\$ 0</u>	<u>\$ 25,657</u>	<u>\$ 206</u>

In 1993, the School District issued a combined total of \$17,978,667 in general obligation bonds for renovations and additions to three buildings in the district. The bonds mature in December 2016.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and the food service enterprise fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 735,000	\$ 780,366	\$ 1,515,366
2005	765,000	741,258	1,506,258
2006	711,986	807,737	1,519,723
2007	736,890	777,710	1,514,600
2008	775,470	745,280	1,520,750
2009-2013	5,064,321	2,503,823	7,568,144
2014-2016	<u>5,475,000</u>	<u>666,620</u>	<u>6,141,620</u>
	<u>\$ 14,263,667</u>	<u>\$ 7,022,794</u>	<u>\$ 21,286,461</u>

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 14 – Deferred Revenue

Deferred revenue as reported on the governmental fund balance sheet at 6/30/03 consisted of the following:

	<u>Amount</u>
Property Taxes Receivable	\$ 20,834,175
Grants Receivable	<u>38,175</u>
Deferred Revenue	<u>\$ 20,872,350</u>

Note 15 - Interfund Transfers

Transfers made during fiscal year 2003 were \$24,311 to the food service enterprise fund and \$38,000 to the athletic/district managed fund from the general fund. These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Note 16 - Interfund Balances

On the fund financial statements, the general fund reported an interfund receivable at June 30, 2003 of \$9,727. The food service enterprise fund had an interfund payable of \$8,463.

REVERE LOCAL SCHOOL DISTRICT*Notes to the Basic Financial Statements**For the Fiscal Year Ended June 30, 2003***Note 17 - Segment Information For Enterprise Funds**

The School District maintains three enterprise funds to account for the operations of food service uniform school supplies and rental property. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2003.

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Rental Property</u>	<u>Total</u>
Operating revenues	\$ 486,517	\$ 110,311	\$ 2,901	\$ 599,729
Operating expenses				
Salaries and wages	216,571	0	0	216,571
Fringe benefits	134,114	0	0	134,114
Purchased services	8,161	0	2,563	10,724
Costs of goods sold	267,783	114,120	0	381,903
Depreciation	13,885	0	0	13,885
Other operating expenses	760	0	0	760
Total operating expenses	<u>641,274</u>	<u>114,120</u>	<u>2,563</u>	<u>757,957</u>
Operating income (loss)	(154,757)	(3,809)	338	(158,228)
Non-operating revenues, net	98,523	0	0	98,523
Transfers in	<u>24,311</u>	<u>0</u>	<u>0</u>	<u>24,311</u>
Change in Net Assets	<u>\$ (31,923)</u>	<u>\$ (3,809)</u>	<u>\$ 338</u>	<u>\$ (35,394)</u>
Other information				
Net working capital	\$ (38,622)	\$ 20,332	\$ 12,730	\$ (5,560)
Capital assets, net	\$ 84,843	\$ 0	\$ 0	\$ 84,843
Total assets	\$ 112,297	\$ 20,332	\$ 12,730	\$ 145,359
Total equity	\$ 20,770	\$ 20,332	\$ 12,730	\$ 53,832

Note 18 - Jointly Governed Organizations**A. Tri-Rivers Educational Computer Association**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of 44 public school districts and Charter Schools within the counties of Cuyahoga, Delaware, Hamilton, Knox, Mahoning, Marion, Marrow, Muskingum, Summit, Trumbull, Wyandot, Clark and Union. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocation School.

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Cuyahoga Valley Career Center (Career Center)

The Cuyahoga Valley Career Center (Career Center), a joint vocational school, is a jointly governed organization operated under a seven member Board of Directors, consisting of one representative from each participating school district. The Board controls the financial activity of the Career Center. The Career Center receives no direct funding from the member school districts. The continued existence of the Career Center is not dependent on the School District's continued participation and no equity interest exists. Financial Information can be obtained by writing to the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

C. The Ohio Schools Council (Council)

The Ohio Schools Council (Council) is a jointly governed organization among 70 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the School District participates. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting Ohio Schools Council, 6376 Mill Road, Broadview Heights, Ohio 44147.

Note 19 - Contingencies

A. Grants

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

B. Litigation

The School, District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition the School District.

C. School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

REVERE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 20 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for 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. Disclosure of this information is required by State statute.

	Capital Improvement Reserve	Textbook Instructional Materials Reserve
Set-Aside Carryover Balance as of June 30, 2002	\$ 0	\$ (392,545)
Current Year Set-Aside Requirement	390,874	390,874
Qualifying Disbursements	<u>(436,920)</u>	<u>(842,143)</u>
Total	<u>\$ (46,046)</u>	<u>\$ (843,814)</u>

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years.

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**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
National School Lunch Program - Commodity	050054	n/a	10.550	\$43,227		\$43,227
National School Lunch Program - Subsidy	050054	LL-P1,P4 2002	10.555	\$53,949	\$53,949	
Total U.S. Department of Agriculture - Child Nutrition Cluster			53,949	43,227	53,949	43,227
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through the Ohio Department of Education</i>						
Title I, Grants to Local Education Agencies	050054	C1-S1 2002	84.010	33,981	32,550	
	050054	C1-S1 2003		37,268	34,925	
Total Title I, Grants to Local Education Agencies				71,249	67,475	
Special Education - Grants to States	050054	6B-SX 2002-P	84.027	21,000	29,982	
	050054	6B-SF 2002-P			5,496	
	050054	6B-SA 2003-P		15,000	4,598	
	050054	6B-SF 2003-P		240,622	205,047	
	050054	6B-PM 2003-P		25,000	8,431	
Total Special Education - Grants to States				301,622	253,554	
Safe and Drug-Free Schools and Communities	050054	DR-S1 2002	84.186	3,147	4,696	
	050054	DR-S1 2003		8,749	8,595	
Total Safe and Drug-Free Schools and Communities				11,896	13,291	
Eisenhower Professional Development	050054	MS-S1 2001	84.281	721	1,559	
	050054	MS-S1 2002		43	8,999	
Total Eisenhower Professional Development				764	10,558	
Innovative Education Program Strategies	050054	C2-S1 2001	84.298	344	952	
	050054	C2-S1 2002		237	5,374	
	050054	C2-S1 2003		11,526	10,144	
Total Innovative Education Program Strategies				12,107	16,470	
Class Size Reduction Subsidy	050054	CR-S1 2002	84.340	(71)	(71)	
Assistive Technology Infusion	050054	AT-S2 2002	84.352	4,118	4,118	
	050054	AT-S3 2002		3,318	3,318	
	050054	AT-S4 2002		6,925	6,925	
Total Assistive Technology Infusion				14,361	14,361	
Title II-A Teacher Quality	050054	TR-S1 2003	84.367	54,964	49,306	
Title III - LEP/Immigrant	050054	T3-S1 2003	84.365	2,368	2,143	
Title II-D Education Tech.	050054	TJ-S1 2003	84.318	1,109	940	
Total U.S. Department of Education				470,369	0	428,027
Totals				\$524,318	\$43,227	\$481,976
						\$43,227

The accompanying notes to this Schedule are an integral part of this Schedule.

**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had \$7,517 of food commodities in inventory.



**Auditor of State
Betty Montgomery**

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

Revere Local School District
Summit County
3496 Everett Road
Bath, Ohio 44210-0340

To the Board of Education:

We have audited the financial statements of Revere Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 14, 2003 wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 34, and restated its Governmental Type Activities and Business Type Activities Net Assets to correct a prior year error. 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 do not require inclusion in this report that we have reported to management of the District in a separate letter dated November 14, 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 that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 14, 2003.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

This report is intended for the information and use of the Audit Committee, management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 14, 2003



Auditor of State Betty Montgomery

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

Revere Local School District
Summit County
3496 Everett Road
Bath, Ohio 44210-0340

To the Board of Education:

Compliance

We have audited the compliance of Revere Local School District, Summit County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information and use of the Audit Committee, management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 14, 2003

**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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**Auditor of State
Betty Montgomery**

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REVERE LOCAL SCHOOL DISTRICT

SUMMIT 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 22, 2004**