

EASTWOOD LOCAL SCHOOL DISTRICT

Audit Report

For the Year Ended June 30, 2002

Charles E. Harris & Associates, Inc.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Eastwood Local School District
Pemberville, Ohio

We have reviewed the Independent Auditor's Report of the Eastwood Local School District, Wood County, prepared by Charles E. Harris and Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 27, 2002

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EASTWOOD LOCAL SCHOOL DISTRICT
AUDIT REPORT
For the Year Ended June 30, 2002

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EASTWOOD LOCAL SCHOOL DISTRICT
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For the Year Ended June 30, 2002

ADMINISTRATIVE PERSONNEL

<u>TITLE</u>	<u>TERM OF OFFICE OR CONTRACT PERIOD</u>	<u>SURETY</u>
<u>SUPERINTENDENT</u>		
Bill McFarland	8/1/01 - 7/31/06	(A)
<u>TREASURER</u>		
Dave R. Michel	1/1/01 – 12/31/05	(A)

LEGAL COUNSEL:

Alan R. Mayberry
Wood County Prosecuting Attorney
Courthouse Square
Bowling Green, Ohio 43402

(A) Nationwide Mutual Insurance Company in the amount of \$20,000.

EASTWOOD LOCAL SCHOOL DISTRICT
AUDIT REPORT
For the Year Ended June 30, 2002

ELECTED OFFICIALS

<u>BOARD OF EDUCATION</u>	<u>TITLE</u>	<u>TERM OF EXPIRATION</u>	<u>SURETY</u>
Denis Helm	President	1/1/02 - 12/31/05	(A)
Betty Kahlenberg	Vice-President	1/1/02 - 12/31/05	(A)
David Becker	Member	1/1/02 - 12/31/05	(A)
Tim Meyer	Member	1/1/00 - 12/31/03	(A)
Cathy Miller	Member	1/1/00 - 12/31/03	(A)

(A) Nationwide Mutual Insurance Company in the amount of \$20,000.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Eastwood Local School District
Pemberville, Ohio

We have audited the accompanying general purpose financial statements of the Eastwood Local School District (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2002 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.

Our audit was made for the purpose of forming an opinion on the financial statements of the Eastwood Local School District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
November 7, 2002

EASTWOOD LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET
 All Fund Types and Account Groups
 For the Year Ended June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Equity in pooled cash and investments	\$ 2,924,517	458,877	113,856	74,824
Restricted cash	536,075	-	-	-
Receivables:				
Taxes	4,396,826	-	297,161	224,705
Intergovernmental	-	45,046	-	-
Interfund receivables	62,669	-	-	-
Prepaid Items	7,571	-	-	-
Inventory held for resale	-	-	-	-
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	-
Amount available in debt service funds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Total Assets	\$ 7,927,658	503,923	411,017	299,529
LIABILITIES				
Accounts payable	\$ 35,841	7,438	-	2,408
Accrued wages and benefits	1,005,182	16,993	-	-
Compensated absences payable	23,982	-	-	-
Interfund payable	-	19,929	-	10,551
Pension obligation payable	176,293	2,227	-	-
Due to other governments	26,162	374	-	585
Deferred revenue	4,029,744	-	269,079	203,623
Undistributed monies	-	-	-	-
Due to students	-	-	-	-
General obligation bonds payable	-	-	-	-
Total Liabilities	\$ 5,297,204	46,961	269,079	217,167
FUND EQUITY AND OTHER CREDITS				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Fund balance:				
Reserved for encumbrances	\$ 157,427	23,165	-	11,078
Reserve for prepaid items	7,571	-	-	-
Reserved for property taxes	367,081	-	28,082	21,082
Reserved for budget stabilization	536,075	-	-	-
Reserved for debt service	-	-	113,856	-
Unreserved: undesignated	1,562,300	433,797	-	50,202
Total Fund Equity	2,630,454	456,962	141,938	82,362
Total Liabilities, Fund Equity and Other Credits	\$ 7,927,658	503,923	411,017	299,529

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$ 77	10,848	240,047	-	-	3,823,046
-	-	-	-	-	536,075
-	-	-	-	-	4,918,692
11,056	-	-	-	-	56,102
-	-	-	-	-	62,669
-	-	-	-	-	7,571
23,099	-	-	-	-	23,099
34,725	-	-	13,535,934	-	13,570,659
-	-	-	-	141,938	141,938
-	-	-	-	5,793,767	5,793,767
<u>\$ 68,957</u>	<u>10,848</u>	<u>240,047</u>	<u>13,535,934</u>	<u>5,935,705</u>	<u>28,933,618</u>
\$ 4,170	-	39,587	-	-	89,444
14,018	-	73,379	-	-	1,109,572
53,799	-	24,445	-	1,040,297	1,142,523
18,150	-	14,039	-	-	62,669
17,862	-	24,134	-	90,716	311,232
959	-	2,617	-	-	30,697
15,612	-	-	-	-	4,518,058
-	-	2,655	-	-	2,655
-	-	57,507	-	-	57,507
-	-	-	-	4,804,692	4,804,692
\$ 124,570	-	238,363	-	5,935,705	12,129,049
-	-	-	13,535,934	-	13,535,934
\$ (55,613)	10,848	-	-	-	(44,765)
-	-	319	-	-	191,989
-	-	-	-	-	7,571
-	-	-	-	-	416,245
-	-	-	-	-	536,075
-	-	-	-	-	113,856
-	-	1,365	-	-	2,047,664
<u>(55,613)</u>	<u>10,848</u>	<u>1,684</u>	<u>13,535,934</u>	<u>-</u>	<u>16,804,569</u>
<u>\$ 68,957</u>	<u>10,848</u>	<u>240,047</u>	<u>13,535,934</u>	<u>5,935,705</u>	<u>28,933,618</u>

EASTWOOD LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 All Governmental Fund Types and Similar Trust Funds
 For the Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Expendable Trust	
<u>REVENUES:</u>						
Taxes	\$ 4,527,263	-	346,835	249,375	-	5,123,473
Intergovernmental	7,253,894	407,745	-	28,522	-	7,690,161
Interest	285,870	-	-	103	-	285,973
Tuition and fees	53,444	4,938	-	-	-	58,382
Extracurricular activities	-	397,930	-	-	11,091	409,021
Miscellaneous	82,242	10,220	-	-	137	92,599
Total Revenues	12,202,713	820,833	346,835	278,000	11,228	13,659,609
<u>EXPENDITURES:</u>						
Instruction	7,031,016	276,721	-	79,087	-	7,386,824
Support Services:						
Pupils	474,468	48,858	-	-	-	523,326
Instructional staff	235,287	21,187	-	31	12,297	268,802
Board of education	28,592	-	-	-	-	28,592
Administration	1,092,128	-	385	6,807	-	1,099,320
Fiscal	318,682	2,500	2,945	2,462	-	326,589
Operation and maintenance of plant	1,021,133	16,290	-	196,988	-	1,234,411
Pupil transportation	907,182	22,979	-	35,678	-	965,839
Central	-	2,558	-	-	-	2,558
Operation of non-instructional services	-	4,795	-	-	-	4,795
Extracurricular activities	165,996	280,543	-	-	-	446,539
Capital outlay	-	-	-	25,283	-	25,283
Debt Service:						
Principal payment	-	-	220,000	-	-	220,000
Interest and fiscal charges	-	-	221,744	-	-	221,744
Total Expenditures	11,274,484	676,431	445,074	346,336	12,297	12,754,622
Excess of Revenues Over/(Under) Expenditures	928,229	144,402	(98,239)	(68,336)	(1,069)	904,987
<u>Other Financing Sources/(Uses):</u>						
Proceeds from sale of fixed assets	848	-	-	-	-	848
Operating transfers - in	-	2,475	-	-	-	2,475
Operating transfers - out	(17,295)	-	-	-	-	(17,295)
Total Other Financing Sources/(Uses)	(16,447)	2,475	-	-	-	(13,972)
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	911,782	146,877	(98,239)	(68,336)	(1,069)	891,015
Fund Balance - July 1, As restated See Note 21	1,718,672	310,085	240,177	150,698	2,753	2,422,385
Fund Balance - June 30	\$ 2,630,454	456,962	141,938	82,362	1,684	3,313,400

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Funds
 For the Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>						
Taxes	\$ 4,471,410	4,479,842	8,432	-	-	-
Intergovernmental	7,240,241	7,253,894	13,653	398,336	407,442	9,106
Interest	285,332	285,870	538	-	-	-
Tuition and fees	53,343	53,445	102	4,828	4,938	110
Extracurricular activities	-	-	-	345,294	353,187	7,893
Miscellaneous	82,087	82,242	155	9,992	10,220	228
Total Revenues	12,132,413	12,155,293	22,880	758,450	775,787	17,337
<u>EXPENDITURES:</u>						
Current:						
Instruction	9,499,462	7,044,333	2,455,129	497,530	358,242	139,288
Support Services:						
Pupils	480,418	489,550	(9,132)	74,082	50,801	23,281
Instructional support	288,782	244,224	44,558	32,136	22,044	10,092
Board of education	18,051	32,155	(14,104)	-	-	-
Administration	1,212,373	1,097,063	115,310	40,593	27,833	12,760
Fiscal	409,906	322,749	87,157	3,792	2,592	1,200
Oper. and mtce. of plant	1,374,585	1,130,261	244,324	24,708	16,933	7,775
Pupil transportation	1,187,843	904,315	283,528	34,854	23,897	10,957
Central	-	-	-	3,879	2,650	1,229
Operation of noninstructional services	-	-	-	7,273	4,979	2,294
Extracurricular activities	163,060	165,249	(2,189)	400,162	288,212	111,950
Capital outlay	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	14,634,480	11,429,899	3,204,581	1,119,009	798,183	320,826
Excess of Revenues Over/ (Under) Expenditures	(2,502,067)	725,394	3,227,461	(360,559)	(22,396)	338,163
<u>Other Financing Sources/(Uses):</u>						
Advances out	-	(14,039)	(14,039)	-	-	-
Transfers out	-	(17,295)	(17,295)	-	-	-
Transfers in	-	-	-	2,475	2,475	-
Sale of assets	-	849	849	-	-	-
Total Other Financing Sources/(Uses)	-	(30,485)	(30,485)	2,475	2,475	-
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,502,067)	694,909	3,196,976	(358,084)	(19,921)	338,163
Fund Balance/(Deficit) July 1	2,445,512	2,445,512	-	358,084	358,084	-
Prior year encumbrances appropriated	56,555	56,555	-	-	-	-
Fund Balance/(Deficit) June 30	\$ -	3,196,976	3,196,976	-	338,163	338,163

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Funds
 For the Year Ended June 30, 2002

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>						
Taxes	\$ 342,611	342,611	-	246,925	246,929	4
Intergovernmental	-	-	-	28,520	28,520	-
Interest	-	-	-	103	103	-
Tuition and fees	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	342,611	342,611	-	275,548	275,552	4
<u>EXPENDITURES:</u>						
Current:						
Instruction	-	-	-	89,056	79,087	9,969
Support Services:						
Pupils	-	-	-	-	-	-
Instructional support	-	-	-	-	-	-
Board of education	-	-	-	-	-	-
Administration	390	385	5	7,903	6,319	1,584
Fiscal	2,981	2,945	36	3,079	2,462	617
Oper. and mtce. of plant	-	-	-	242,999	240,347	2,652
Pupil transportation	-	-	-	44,622	35,677	8,945
Central	-	-	-	-	-	-
Operation of noninstructional services	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Capital outlay	-	-	-	30,499	25,283	5,216
Debt Service:						
Principal	220,000	220,000	-	-	-	-
Interest	335,559	221,743	113,816	-	-	-
Total Expenditures	558,930	445,073	113,857	418,158	389,175	28,983
Excess of Revenues Over/ (Under) Expenditures	(216,319)	(102,462)	113,857	(142,610)	(113,623)	28,987
<u>Other Financing Sources/(Uses):</u>						
Advances out	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-	-	-
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(216,319)	(102,462)	113,857	(142,610)	(113,623)	28,987
Fund Balance/(Deficit) July 1	216,319	216,319	-	24,380	24,380	-
Prior year encumbrances appropriated	-	-	-	118,230	118,230	-
Fund Balance/(Deficit) June 30	\$ -	113,857	113,857	-	28,987	28,987

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Governmental Fund Types and Similar Trust Funds
 For the Year Ended June 30, 2002

	Expendable Trust Fund			Total - (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>						
Taxes	-	-	-	5,060,946	5,069,382	8,436
Intergovernmental	-	-	-	7,667,097	7,689,856	22,759
Interest	-	-	-	285,435	285,973	538
Tuition and fees	-	-	-	58,171	58,383	212
Extracurricular activities	\$ 11,091	11,091	-	356,385	364,278	7,893
Miscellaneous	137	137	-	92,216	92,599	383
Total Revenues	11,228	11,228	-	13,520,250	13,560,471	40,221
<u>EXPENDITURES:</u>						
Current:						
Instruction	-	-	-	10,086,048	7,481,662	2,604,386
Support Services:						
Pupils	-	-	-	554,500	540,351	14,149
Instructional support	13,736	12,370	1,366	334,654	278,638	56,016
Board of education	-	-	-	18,051	32,155	(14,104)
Administration	-	-	-	1,261,259	1,131,600	129,659
Fiscal	-	-	-	419,758	330,748	89,010
Oper. and mtce. of plant	-	-	-	1,642,292	1,387,541	254,751
Pupil transportation	-	-	-	1,267,319	963,889	303,430
Other support services	-	-	-	3,879	2,650	1,229
Operation of noninstructional services	-	-	-	7,273	4,979	2,294
Extracurricular activities	-	-	-	563,222	453,461	109,761
Capital outlay	-	-	-	30,499	25,283	5,216
Debt Service:						
Principal	-	-	-	220,000	220,000	-
Interest	-	-	-	335,559	221,743	113,816
Total Expenditures	13,736	12,370	1,366	16,744,313	13,074,700	3,669,613
Excess of Revenues Over/ (Under) Expenditures	(2,508)	(1,142)	1,366	(3,224,063)	485,771	3,709,834
<u>Other Financing Sources/(Uses):</u>						
Advances out	-	-	-	-	(14,039)	(14,039)
Transfers out	-	-	-	-	(17,295)	(17,295)
Transfers in	-	-	-	2,475	2,475	-
Refund of prior year expenditures	-	-	-	-	849	849
Total Other Financing Sources/(Uses)	-	-	-	2,475	(28,010)	(30,485)
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,508)	(1,142)	1,366	(3,221,588)	457,761	3,679,349
Fund Balance/(Deficit) July 1	2,508	2,508	-	3,046,803	3,046,803	-
Prior year encumbrances appropriated	-	-	-	174,785	174,785	-
Fund Balance/(Deficit) June 30	\$ -	1,366	1,366	-	3,679,349	3,679,349

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS
All Proprietary Fund Types
For the Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>		<u>Total (Memo Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<u>Operating revenues:</u>			
Food services	\$ 438,995	-	438,995
Classroom materials and fees	71,636	-	71,636
Extracurricular activities	-	30,770	30,770
Total Operating Revenues	510,631	30,770	541,401
<u>Operating expenses:</u>			
Salaries	202,566	-	202,566
Fringe benefits	146,743	-	146,743
Purchased services	6,374	-	6,374
Materials and supplies	382,643	-	382,643
Depreciation expense	6,091	-	6,091
Other operating expenses	1,014	27,727	28,741
Total Operating Expenses	745,431	27,727	773,158
Operating Income/(Loss)	(234,800)	3,043	(231,757)
<u>Nonoperating revenues/(expenses):</u>			
Operating transfer-in	14,820	-	14,820
Federal donated commodities	49,868	-	49,868
Intergovernmental revenues	108,976	-	108,976
Total Nonoperating Revenues/(expenses)	173,664	-	173,664
Net Income(Loss)	(61,136)	3,043	(58,093)
Retained Earnings/(Deficit) - July 1	5,523	7,805	13,328
Retained Earnings/(Deficit) - June 30	\$ (55,613)	10,848	(44,765)

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CHANGES IN CASH FLOWS
All Proprietary Fund Types
For the Year Ended June 30, 2002

	Enterprise	Internal Service	Total
Cash flows from operating activities:			
Net operating income/(loss)	\$ (234,800)	3,043	(231,757)
Adjustments to reconcile net income/ (loss) to net cash provided/(used) by operating activities:			
Commodities expense related to noncash grant	49,868	-	49,868
Depreciation	6,091	-	6,091
(Increase)/decrease in assets:			
Due from other governments	724	-	724
Inventories	(3,386)	-	(3,386)
Increase/(decrease) in liabilities:			
Accounts payable	4,170	-	4,170
Accrued wages and benefits	1,663	-	1,663
Compensated absences payable	44,543	-	44,543
Pension obligation payable	1,968	-	1,968
Deferred revenue	4,477	-	4,477
Due to other governments	215	-	215
Net cash provided/(used) for operating activities	\$ (124,467)	3,043	(121,424)
Cash flows from noncapital financing activities:			
Transfer-In	\$ 14,820	-	14,820
Intergovernmental revenues	108,976	-	108,976
Net cash provided/(used) for noncapital financing activities	\$ 123,796	-	123,796
Net increase/(decrease) in cash and cash equivalents	\$ (671)	3,043	2,372
Cash and cash equivalents, July 1, 2001	748	7,805	8,553
Cash and cash equivalents, June 30, 2002	\$ 77	10,848	10,925

Noncash Non-Capital Financing Activities:

During fiscal year ended June 30, 2002 the District received and used \$49,868 of federal donated commodities.

See accompanying notes to the general purpose financial statements

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately 27 square miles. It is located in Wood County, and includes the territories of the Villages of Pemberville and Luckey and the Townships of Freedom, Troy, Webster, Middleton, and Perrysburg. It is staffed by 89 non-certificated employees and 111 certificated full-time teaching personnel who provide services to 1,954 students and other community members. The School District currently operates 6 instructional buildings, 1 administrative building, and a garage.

Reporting Entity:

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

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 of the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Based on the above description, there are no component units within the School District.

The School District is involved with two organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Maumee Valley & Computer Association, the Penta County Vocational School, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the General Purpose Financial Statements.

The following activities are included within the reporting entity as an agency fund:

Special Education Regional Resource Center (SERRC) - a separate body corporate and politic within the District's boundaries. The federal Department of Education provides funding to the SERRC, which is received and disbursed through the District's financial records, at the direction of the SERRC.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types:

Government fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from the 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. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District received 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 taxes are levied. Revenue from grants 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.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types: (continued)

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, 2002, but which were levied to finance fiscal year 2003 operations, have recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures – Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurements focus of governmental fund is on decreases in financial resources. Principals and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund type:

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

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

Debt Service Funds - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Proprietary Fund Types:

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types: (continued)

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

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available in the County Auditor's Office, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entail 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. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made of resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. 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 Wood County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, 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.

Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent - year expenditures for governmental funds and reported in the notes to the general purpose financial statements for proprietary funds.

Lapsing of Appropriations:

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2002, there were no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$285,870 and to the capital projects fund \$103.

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

Restricted cash in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower 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. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them, instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (on 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 have any infrastructure.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Fixed Assets and Depreciation (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over estimated useful lives ranging from 8 to 20 years.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are carried and become measurable.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available resources, since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Debt Account Group. In proprietary funds, the entire amount of compensated absences is reported as fund liability.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the General Long-Term Debt Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Debt Account Group until due.

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

Under Ohio law, a debt service fund must be created and used for the payment of long-term debt. Generally accepted accounting principles requires the reporting of short-term liabilities in the funds that received the proceeds.

M. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as "other financing sources," net of the applicable premium or discounts. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

N. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Advances in do not equal advances out due to activity in the Agency Fund, which is not reflected in the budgetary statements.

O. Fund Balance Reserves

The School District records reservations for 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 appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, debt service, and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Estimates

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

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING(continued)

4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Financing Uses -
All Governmental Fund Types and Similar Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expandable Trust</u>
GAAP Basis	\$ 911,782	\$ 146,877	\$ (98,239)	\$ (68,336)	\$ (1,069)
Revenue Accruals	(47,419)	(45,046)	(4,223)	(2,448)	-
Expenditure Accruals	27,577	(91,149)	-	(28,768)	-
Encumbrances	(197,031)	(30,603)	-	(14,071)	(73)
Budget Basis	<u>\$ 694,909</u>	<u>\$ (19,921)</u>	<u>\$ (102,462)</u>	<u>\$ (113,623)</u>	<u>(1,142)</u>

NOTE 4 - 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 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 accounts, including passbook accounts.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS(continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, 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.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Protection of the 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 money deposited with the institution.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$4,359,121 and the bank balance was \$4,658,284. Of the bank balance, \$104,641 was covered by federal depository insurance and \$4,553,643 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although the securities serving as collateral were held by the pledging financial institution's trust department not in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: At fiscal year end, the School District had no investments classified under GASB 3.

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year.

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.

Tangible personal property taxes paid 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.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 5 - PROPERTY TAXES (continued)

The full tax rate applied to real property for the fiscal year ended June 30, 2002 was \$44.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$27.467684 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$31.311662 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

The rate applied to tangible personal property for the fiscal year ended June 30, 2002 was \$44.70 per \$1,000 of assessed valuation.

The School District receives property taxes from Wood County. The County Auditor 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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$367,081 in the General Fund, \$28,082 in the Debt Service Fund, and \$21,082 in the Capital Projects Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2002</u>	<u>2001</u>
Real Property -		
Residential/Agricultural	\$ 124,493,850	\$ 121,944,580
Commercial/Industrial	11,388,850	11,313,460
Public Utility	111,330	119,410
Minerals	850	1,450
Tangible Personal Property -		
Personal	15,834,930	15,609,853
Public Utilities	<u>17,826,390</u>	<u>22,654,780</u>
Total Valuation	<u>\$ 169,656,200</u>	<u>\$ 171,643,533</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 7 - FIXED ASSETS

A summary of the Enterprise Funds' fixed assets at June 30, 2002 follows:

	<u>Balance June 30, 2002</u>
Furniture and Equipment	\$ 181,612
Less Accumulated Depreciation	<u>(146,887)</u>
Net Fixed Assets	<u>\$ 34,725</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$ 261,067	-	-	\$ 261,067
Buildings and Improvements	10,660,663	-	-	10,660,663
Furniture, Fixtures and Equipment	1,986,274	61,277	\$ (33,547)	2,014,004
Vehicles	<u>600,200</u>	<u>-</u>	<u>-</u>	<u>600,200</u>
Total General Fixed Assets	<u>\$13,508,204</u>	<u>\$ 61,277</u>	<u>\$ (33,547)</u>	<u>\$13,535,934</u>

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2002, the District has entered into contracts with Nationwide Insurance Company for general liability insurance. Professional liability is protected by Nationwide Insurance Company with \$1,000,000 each occurrence, \$5,000,000 aggregate limit.

Vehicles are covered by Indiana Insurance Company and hold a \$100 deductible for comprehensive. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District did not reduce the limits of liability significantly in the current year.

All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher bond coverage.

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

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Eastwood Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2001 (the latest information available) 4.2 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$296,388, \$253,116, and \$283,884, respectively; 48 percent has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. \$153,936 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent, 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$882,648, \$783,648, and \$746,134, respectively, 82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal year 2001 and 2000. \$157,296 represents the unpaid contributions for fiscal year 2002 and is recorded as a liability within the respective funds.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 10 - 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$283,708 during the 2002 fiscal year. As of June 30, 2001 (the latest information available) eligible benefit recipients totaled 102,132. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000.

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

For this fiscal year, employer contributions to fund health care benefits were 9.80 percent of covered payroll for the fiscal year 2001 (the latest information available). For the District, this amount equaled \$207,472 during the 2002 fiscal year. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001 the minimum pay has been established at \$12,400. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Classified and Administrative employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service earn a pro-rata vacation rate per month worked. At June 30, 2002, a liability of \$106,109 has been provided in several funds and the General Long-Term Debt Account Group for earned, but unused vacation leave.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences (continued)

This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 25% of the accumulated sick leave benefits up to 50 days for all employees. The sick leave liability is \$53,799 in the Enterprise Fund, and \$982,615 in the General Long-Term Debt Account Group.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Educational Employees' Life Insurance Trust and to classified employees through Core Source.

NOTE 12 - DEBT OBLIGATIONS

The changes in the School District's debt obligations during fiscal year 2002 were as follows:

	Balance Outstanding <u>6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>6/30/02</u>
<u>Long-term Obligations</u>				
General Obligation Bonds:				
H.S. addition and renovation 5.2792%	\$4,094,692	-	\$ (125,000)	\$ 3,969,692
Energy Conservation Bonds 4.5611%	<u>930,000</u>	<u>-</u>	<u>(95,000)</u>	<u>835,000</u>
Total general obligation bonds	5,024,692	-	(220,000)	4,804,692
Pension Benefit Obligations	84,372	90,716	(84,372)	90,716
Compensated Absences	<u>977,282</u>	<u>63,015</u>	<u>-</u>	<u>1,040,297</u>
Total Long-term Obligations	<u>\$6,086,346</u>	<u>\$ 153,731</u>	<u>\$(304,372)</u>	<u>\$5,935,705</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The current year activity for compensated absences is netted for practical purposes.

The School District's voted legal debt margin was \$10,052,380 with an unvoted debt margin of \$168,811 at June 30, 2002.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 12 - DEBT OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002 are as follows:

<u>Fiscal Year</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2003	\$ 235,000	\$ 211,117	\$ 446,117
2004	245,000	199,801	444,801
2005	255,000	188,905	443,905
2006	270,000	178,270	448,270
2007	280,000	166,855	446,855
2008-2012	1,018,398	795,941	1,814,339
2013-2017	711,294	819,086	1,530,380
2017-2021	1,220,000	302,024	1,522,024
2022-2024	<u>570,000</u>	<u>29,147</u>	<u>599,147</u>
Totals	<u>\$ 4,804,692</u>	<u>\$ 2,891,146</u>	<u>\$ 7,695,838</u>

NOTE 13 - INTERFUND ACTIVITY

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
General Fund	\$ 62,669	-
Special Revenue Funds:		
Title I	-	19,929
Capital Projects		
Permanent Improvement	-	10,551
Enterprise Fund		
Food Service	-	18,150
Agency Fund		
Title VI B	<u>-</u>	<u>14,039</u>
Total All Funds	<u>\$ 62,669</u>	<u>\$ 62,669</u>

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Eastwood Local School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 438,995	\$ 71,636	510,631
Operating Expenses less			
Depreciation	667,781	71,559	739,340
Depreciation Expense	6,091	--	6,091
Operating Income (Loss)	(234,877)	77	(234,800)
Donated Commodities	49,868	--	49,868
Intergovernmental revenue	108,976	--	108,976
Net Income (Loss)	(61,213)	77	(61,136)
Net Working Capital	(90,415)	77	(90,338)
Total Assets	68,880	77	68,957
Total Equity	(55,690)	77	(55,613)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The School District is a participant in the Maumee Valley & Computer Association (MAVCA) which is a computer consortium. MAVCA is an association made up of seventeen participating school districts and two county board. 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. MAVCA is governed by an assembly consisting of the superintendents, or treasurers, or other designees of the member school districts. The assembly exercises total control over the operation of MAVCA including budgeting, appropriating, contracting and designating management. All the MAVCA revenues are generated from charges for services and state funding. To obtain information write to 30095 Oregon Road, Perrysburg, Ohio 43551.

The Penta County Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the sixteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Vocational School, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 16 - INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the Program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school district in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control and actuarial services to the GRP. In accordance with the above, the OSBA Group Rating Program has not been included as a component unit of the reporting entity.

NOTE 17 - SCHOOL FUNDING DECISION

On September 6, 2001 the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that requires modification if the plan is to be considered constitutional, including:

A change in the school district that is used as a basis for determining the base cost support amount. Any change in the amount of funds distributed to a school district as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining that base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 17 - SCHOOL FUNDING DECISION (continued)

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

NOTE 18 - 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 June 30, 2002.

B. Litigation

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

NOTE 19- SET-ASIDE REQUIREMENTS

Substitute House Bill 412, as amended, required the District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases and (2) capital and maintenance expenditures. As of April 10, 2002, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be left in the account and used by the Board to offset any budget deficit the District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit; for school facility construction, renovation or repair; for textbook or instructional materials; for purchases of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a state school district solvency fund, and amended “spending reserve” provisions.

The following information describe the changes in the amount set aside for textbook and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 19- SET-ASIDE REQUIREMENTS (continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Reserve</u>	<u>Total</u>
Set aside balance as of June 30,2001	--	--	\$530,450	\$530,450
Current year set aside requirement	\$ 246,590	\$246,590	5,625	\$498,805
Qualifying Expenditures	<u>\$(393,364)</u>	<u>\$(282,936)</u>	--	<u>\$(676,300)</u>
Totals	<u>\$(146,774)</u>	<u>\$(36,346)</u>	--	<u>\$(183,120)</u>
Cash balance carried forward toFY2002	<u>--</u>	<u>--</u>	<u>\$ 536,075</u>	<u>\$ 536,075</u>
Amount restricted for budget stabilization				<u>\$ 536,075</u>
Total restricted assets				<u>\$ 536,075</u>

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

NOTE 20- ACCOUNTABILITY & COMPLIANCE

A. Fund Deficits

At June 30, 2002, the Food Service Enterprise Fund had a deficit fund balance of \$55,613. The deficit was caused by the application of accounting procedures generally accepted in the United States of America. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

- B. Ohio Revised Code 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

The following fund was found to have expenditures plus encumbrances exceeding appropriations:

Enterprise Fund
Food Service

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002

NOTE 21- PRIOR PERIOD ADJUSTMENT

Due to an incorrect property tax number received from the County Auditor's Office in the prior fiscal year, the following restatement is necessary:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Fund Balance, as stated 6/30/01	\$ 3,544,008	\$ 385,943	\$ 256,125
Restatements	<u>(1,825,336)</u>	<u>(145,766)</u>	<u>(105,427)</u>
Fund Balance, as restated 7/1/01	<u>\$ 1,718,672</u>	<u>\$ 240,177</u>	<u>\$ 150,698</u>

EASTWOOD LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
Pass through Ohio Department of Education				
Nutrition Cluster:				
Food Distribution Program	10.550	n/a	\$ 49,868	\$ 49,868
National School Lunch Program	10.555	47813-04-PU-02	<u>94,431</u>	<u>94,431</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>144,299</u>	<u>144,299</u>
<u>U.S. Department of Education:</u>				
Pass through Ohio Department of Education				
Title I - Financial Assistance to Meet Special Educational Needs of Disadvantaged Children				
Title I - FY01	84.010	47183-C1-S1-01	-	71,012
Title I - FY02	84.010	47183-C1-S1-02	<u>78,825</u>	<u>56,075</u>
Total Title I			<u>78,825</u>	<u>127,087</u>
Special Education Cluster				
Special Education Grants to States (IDEA Part B)	84.027	47183-6B-SF-02P	1,553,358	1,653,165
Special Education - Preschool Grant	84.173	47183-6B-SF-02P	<u>11,250</u>	<u>750</u>
Total Special Education Cluster			<u>1,564,608</u>	<u>1,653,915</u>
Migrant				
Migrant Grant - FY01	84.011	47183-MS-S1-01	3,596	8,620
Migrant Grant - FY02	84.011	47183-MS-S1-02	<u>6,060</u>	<u>6,060</u>
Total Migrant Grant			<u>9,656</u>	<u>14,680</u>
Drug - Free School Grant				
Drug - Free School Grant - FY02	84.186	47183-DR-S1-02	<u>16,225</u>	<u>8,584</u>
Total Drug - Free School Grant			<u>16,225</u>	<u>8,584</u>
Innovative Education Program Strategies				
Innovative Education Program Strategies - FY01	84.298	47183-C2-S1-01	<u>2,879</u>	-
Total Innovative Education Program Strategies			<u>2,879</u>	-
Reducing Class Size				
Reducing Class Size - FY02	84.340	47183-CR-S1-02	<u>9,357</u>	-
Total Reducing Class Size			<u>9,357</u>	-
Education of Economic Security Act - Eisenhower Grant				
Eisenhower Grant - FY02	84.281	47183-CR-S1-02	<u>7,153</u>	<u>6,392</u>
Total Eisenhower Grant			<u>7,153</u>	<u>6,392</u>
Total U.S. Department of Education			<u>1,688,703</u>	<u>1,810,658</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>1,833,002</u>	<u>1,954,957</u>

See Notes to the Schedule of Federal Awards Expenditures

EASTWOOD LOCAL SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had food commodities in inventory recorded in the Enterprise Fund.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Board of Education
Eastwood Local School District
Pemberville, Ohio**

We have audited the general purpose financial statements of the Eastwood Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 7, 2002. 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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated November 7, 2002.

Internal Controls 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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

Charles E. Harris & Associates, Inc.
November 7, 2002

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

**Board of Education
Eastwood Local School District
Pemberville, Ohio**

Compliance

We have audited the compliance of the Eastwood Local School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program cluster for the year ended June 30, 2002. The District's major federal program cluster is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program cluster 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. 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 cluster for the year ended June 30, 2002.

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 internal control over compliance in accordance with *OMB Circular A-133*.

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.

Charles E. Harris & Associates, Inc.
November 7, 2002

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education Cluster SERRC Preschool Grant CFDA #84.173 SERRC CFDA #84.027
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

EASTWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
JUNE 30, 2002

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the period ending June 30, 2001, included no material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

EASTWOOD LOCAL SCHOOL DISTRICT

WOOD 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 9, 2003**