

COSHOCTON CITY SCHOOL DISTRICT
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

Board of Education
Coshocton City School District

We have reviewed the Independent Auditor's Report of the Coshocton City School District, Coshocton County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period July 1, 2002 through June 30, 2003. 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 Coshocton City School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 13, 2004

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**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Education
Coshocton City School District
Coshocton, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coshocton City School District as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coshocton City School District as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Coshocton City School District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* as of June 30, 2003. The District has also adopted GASB Statements Nos. 37, 38, and Interpretation No. 6 for the year ending June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2003, on our consideration of Coshocton City School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Coshocton City School District, taken as a whole. The accompanying schedule of expenditures 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 12, 2003

COSHOCTON CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2003 are as follows:

- ❑ In total, net assets increased \$181,128. Net assets of governmental activities increased \$252,132, which represents a 4.7% increase from 2002. Net assets of business-type activities decreased \$71,004 or 17% from 2002.
- ❑ General revenues accounted for \$13,916,388 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,837,763 or 12% of total revenues of \$15,754,151.
- ❑ The District had \$14,746,763 in expenses related to governmental activities; only \$1,082,507 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,916,388 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$12,716,410 in revenues and \$12,682,103 in expenditures. The general fund's fund balance remained relatively stable, increasing by only \$27,940 to \$1,552,670.
- ❑ Net assets for enterprise funds decreased by \$65,887. This decrease is a result of increases for purchases of supplies and materials in both the food service and uniform school supply fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
 - To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District are divided into two categories:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service and uniform school supplies are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	<u>2003</u>	<u>2003</u>	<u>2003</u>
Current and other assets	\$9,608,737	\$335,641	\$9,944,378
Capital assets, Net	4,906,887	101,812	5,008,699
Total assets	14,515,624	437,453	14,953,077
Long-term debt outstanding	1,594,959	16,430	1,611,389
Other liabilities	7,315,561	74,617	7,390,178
Total liabilities	8,910,520	91,047	9,001,567
Net assets			
Invested in capital assets, net of related debt	4,614,086	101,812	4,715,898
Restricted	601,678	0	601,678
Unrestricted	389,340	244,594	633,934
Total net assets	<u>\$5,605,104</u>	<u>\$346,406</u>	<u>\$5,951,510</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003*

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2003:

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Revenues			
Program revenues:			
Charges for Services and Sales	\$254,520	\$404,349	\$658,869
Operating Grants and Contributions	827,987	350,907	1,178,894
General revenues:			
Property Taxes	5,804,857	0	5,804,857
Grants and Entitlements	7,977,928	0	7,977,928
Other	133,603	0	133,603
Total revenues	14,998,895	755,256	15,754,151
Program Expenses			
Instruction	8,894,099	0	8,894,099
Support Services:			
Pupils	642,180	0	642,180
Instructional Staff	938,505	0	938,505
Board of Education	57,259	0	57,259
Administration	1,342,874	0	1,342,874
Fiscal Services	416,455	0	416,455
Business	195,015	0	195,015
Operation and Maintenance of Plant	1,577,018	0	1,577,018
Pupil Transportation	161,434	0	161,434
Central	12,779	0	12,779
Community Services	97,266	0	97,266
Extracurricular Activities	398,008	0	398,008
Debt Service:			
Interest and Fiscal Charges	13,871	0	13,871
Food Service	0	766,301	766,301
Uniform School Supplies	0	59,959	59,959
Total expenses	14,746,763	826,260	15,573,023
Total Change in Net Assets	252,132	(71,004)	181,128
Beginning Net Assets	5,352,972	417,410	5,770,382
Total Change in Net Assets	\$5,605,104	\$346,406	\$5,951,510

Governmental Activities

Net assets of the District's governmental activities increased by \$252,132. This was due to increases in property tax and federal grant revenues received by the District.

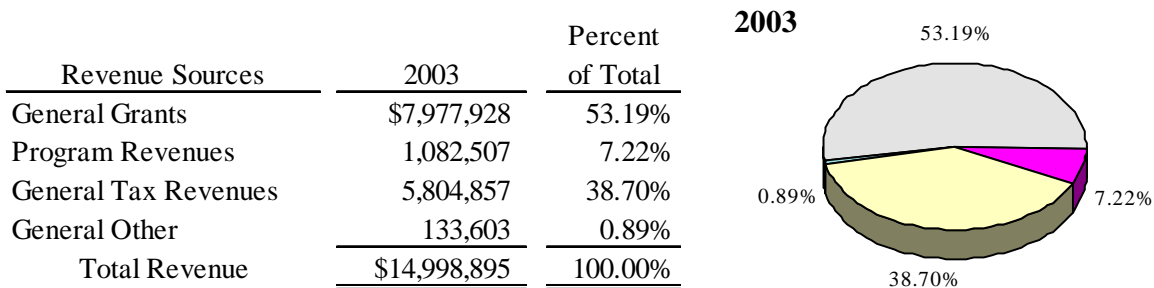
COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 39% of revenues for governmental activities for Coshocton City Schools in fiscal year 2003. The District's reliance upon tax revenues is demonstrated by the following graph:



Business-Type Activities

Net assets of the business-type activities decreased by \$71,004. This is attributable to increases in expenses for supplies and materials. Business type activities receive no support from tax revenues and remain self-supporting.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$1,993,146, which is below last year's total of \$2,229,654. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2003 and 2002.

	Fund Balance June 30, 2003	Fund Balance June 30, 2002	Increase (Decrease)
General	\$1,552,670	\$1,524,730	\$27,940
Other Governmental	393,544	704,924	(311,380)
Total	\$1,946,214	\$2,229,654	(\$283,440)

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003**

Unaudited

General Fund – The District's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2003 Revenues	2002 Revenues	Increase (Decrease)
Taxes	\$5,315,701	\$5,678,716	(\$363,015)
Tuition	20,615	0	20,615
Investment Earnings	37,237	53,114	(15,877)
Class Materials and Fees	11,800	12,225	(425)
Intergovernmental - State	7,321,589	7,277,944	43,645
All Other Revenue	9,468	5,832	3,636
Total	\$12,716,410	\$13,027,831	(\$311,421)

General Fund revenues in 2003 decreased approximately 2.4% compared to revenues in fiscal year 2002. The majority of the decrease can be attributed to decreases in property tax revenue received.

	2003 Expenditures	2002 Expenditures	Increase (Decrease)
Instruction	\$7,819,966	\$7,188,670	\$631,296
Supporting Services:			
Pupils	570,498	533,728	36,770
Instructional Staff	485,747	418,532	67,215
Board of Education	56,556	116,893	(60,337)
Administration	1,173,551	995,123	178,428
Fiscal Services	405,833	440,616	(34,783)
Business	185,724	149,965	35,759
Operation & Maintenance of Plant	1,541,991	1,319,101	222,890
Pupil Transportation	217,290	170,151	47,139
Central	6,449	10,866	(4,417)
Community Services	11,932	14,313	(2,381)
Extracurricular Activities	200,213	158,652	41,561
Capital Outlay	6,353	40,083	(33,730)
Total	\$12,682,103	\$11,556,693	\$1,125,410

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003***

Unaudited

The expenditures increased by \$1,125,410 or 9.7% compared to the prior year mostly due increases in expenditures for instruction.

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2003 the District amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue was \$12.7 million, below original budget estimates of \$12.9 million. The majority of this difference was due to a decrease in personal property tax revenues. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2003 the District had \$5,008,699 net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$4,906,887 was related to governmental activities and \$101,812 to the business-type activities. The following table shows fiscal year 2002 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2003	2002	
Land	\$466,205	\$466,205	\$0
Land Improvements	219,315	0	219,315
Buildings and Improvements	9,199,913	9,199,913	0
Machinery and Equipment	2,917,978	2,717,762	200,216
Vehicles	500,215	466,970	33,245
Less: Accumulated Depreciation	(8,396,739)	(8,056,439)	(340,300)
Totals	\$4,906,887	\$4,794,411	\$112,476

	Business-Type Activities		Increase (Decrease)
	2003	2002	
Machinery and Equipment	\$249,673	\$245,434	\$4,239
Less: Accumulated Depreciation	(147,861)	(135,149)	(12,712)
Totals	\$101,812	\$110,285	(\$8,473)

The primary increases occurred in machinery and equipment and land improvements. The majority of the increases in machinery and equipment were the result of purchases for classroom computers. The increase in land improvements can be attributed to the installation of a new all weather track.

Additional information on the District's capital assets can be found in Note 9.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003***

Unaudited

Debt

At June 30, 2003, the District had \$245,556 in bonds outstanding, \$56,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2003:

	<u>2003</u>	<u>2002</u>
Governmental Activities:		
General Obligation Bond:		
Energy Conservation	\$245,556	\$298,556
Capital Leases Payable	47,245	74,989
Compensated Absences	<u>1,302,158</u>	<u>1,576,816</u>
Total Governmental Activities	1,594,959	1,950,361
Business-Type Activities:		
Compensated Absences	<u>16,430</u>	<u>18,816</u>
Totals	<u><u>\$1,611,389</u></u>	<u><u>\$1,969,177</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2002, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

ECONOMIC FACTORS

The Coshocton City School District relies upon local property taxes and state foundation to fund its operations. In fiscal year 2003 the district received approximately 60% of its revenues from local property taxes and 40% from the state foundation program. The District last passed a continuing operating levy in November of 2000. The District continues to experience decreasing enrollment, which reduces the amount of funding from the state foundation program. The District has also experienced a decline in the industrial/commercial valuation due to the closing and reductions of several area businesses. The potential relocation of a large retailer to a development area outside the District will present an additional fiscal challenge to district resources.

In addition to the local challenges another challenge facing the District is the future of state funding. As a result of the DeRolph decision and subsequent court decisions the district is unable to determine what effect, if any, a future decision will have on its future state funding and its financial operations.

The District has entered the Expedited Local Partnership program with the Ohio School Facilities Commission. Current planning is to place a bond issue on the ballot in November 2004 or 2005 in order to replace district facilities.

In conclusion, the Coshocton City School District's management has committed itself to financial prudence in the years to come.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30,2003***

Unaudited

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Gary L. Lowe, Coshocton City School District.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Net Assets *June 30, 2003*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 3,378,459	\$ 327,084	\$ 3,705,543
Receivables:			
Taxes	5,838,775	0	5,838,775
Intergovernmental	333,746	0	333,746
Interest	1,744	420	2,164
Internal Balances	(1,732)	1,732	0
Interfund Loan Receivable	1,000	0	1,000
Inventory of Supplies at Cost	0	6,405	6,405
Prepaid Items	56,745	0	56,745
Capital Assets, Net	4,906,887	101,812	5,008,699
Total Assets	<u>14,515,624</u>	<u>437,453</u>	<u>14,953,077</u>
Liabilities:			
Accounts Payable	103,390	351	103,741
Accrued Wages and Benefits	1,317,472	37,311	1,354,783
Intergovernmental Payable	315,716	33,467	349,183
Claims Payable	149,455	0	149,455
Deferred Revenue - Taxes	5,418,510	0	5,418,510
Deferred Revenue	0	3,488	3,488
Accrued Interest Payable	11,018	0	11,018
Long Term Liabilities:			
Due Within One Year	80,461	0	80,461
Due in More Than One Year	1,514,498	16,430	1,530,928
Total Liabilities	<u>8,910,520</u>	<u>91,047</u>	<u>9,001,567</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,614,086	101,812	4,715,898
Restricted For:			
Capital Projects	49,411	0	49,411
Debt Service	139,367	0	139,367
Other Purposes	412,900	0	412,900
Unrestricted (Deficit)	389,340	244,594	633,934
Total Net Assets	<u>\$ 5,605,104</u>	<u>\$ 346,406</u>	<u>\$ 5,951,510</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Activities For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 8,894,099	\$ 32,415	\$ 647,652	\$ 0
Support Services:				
Pupils	642,180	0	61,000	0
Instructional Staff	938,505	0	66,462	0
Board of Education	57,259	0	0	0
Administration	1,342,874	0	0	0
Fiscal Services	416,455	0	0	0
Business	195,015	0	0	0
Operation and Maintenance of Plant	1,577,018	0	0	0
Pupil Transportation	161,434	0	0	0
Central	12,779	0	0	0
Community Services	97,266	0	52,873	0
Extracurricular Activities	398,008	222,105	0	0
Debt Service:				
Interest and Fiscal Charges	13,871	0	0	0
Total Governmental Activities	14,746,763	254,520	827,987	0
Business-Type Activities:				
Food Service	766,301	313,818	404,349	0
Uniform School Supplies	59,959	37,089	0	0
Total Business-Type Activities	826,260	350,907	404,349	0
Totals	\$ 15,573,023	\$ 605,427	\$ 1,232,336	\$ 0

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

 Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Loss on Disposal of Fixed Assets

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (8,214,032)	\$ 0	\$ (8,214,032)
(581,180)	0	(581,180)
(872,043)	0	(872,043)
(57,259)	0	(57,259)
(1,342,874)	0	(1,342,874)
(416,455)	0	(416,455)
(195,015)	0	(195,015)
(1,577,018)	0	(1,577,018)
(161,434)	0	(161,434)
(12,779)	0	(12,779)
(44,393)	0	(44,393)
(175,903)	0	(175,903)
(13,871)	0	(13,871)
(13,664,256)	0	(13,664,256)
0	(48,134)	(48,134)
0	(22,870)	(22,870)
0	(71,004)	(71,004)
\$ (13,664,256)	\$ (71,004)	\$ (13,735,260)
5,473,752	0	5,473,752
71,823	0	71,823
259,282	0	259,282
7,977,928	0	7,977,928
45,961	0	45,961
92,642	0	92,642
(5,000)	0	(5,000)
13,916,388	0	13,916,388
252,132	(71,004)	181,128
5,352,972	417,410	5,770,382
\$ 5,605,104	\$ 346,406	\$ 5,951,510

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Balance Sheet Governmental Funds June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 2,687,015	\$ 487,411	\$ 3,174,426
Receivables:			
Taxes	5,504,649	334,126	5,838,775
Intergovernmental	20,175	313,571	333,746
Interest	524	245	769
Interfund Loan Receivable	103,062	0	103,062
Prepaid Items	56,745	0	56,745
Total Assets	\$ 8,372,170	\$ 1,135,353	\$ 9,507,523
Liabilities:			
Accounts Payable	31,277	72,113	103,390
Accrued Wages and Benefits	1,209,352	108,120	1,317,472
Intergovernmental Payable	209,434	17,816	227,250
Interfund Loans Payable	0	102,062	102,062
Deferred Revenue - Taxes	5,369,437	334,126	5,703,563
Deferred Revenue	0	107,572	107,572
Total Liabilities	6,819,500	741,809	7,561,309
Fund Balances:			
Reserved for Encumbrances	217,972	116,023	333,995
Reserved for Prepaid Items	56,745	0	56,745
Reserved for Debt Service	0	64,329	64,329
Reserved for Property Taxes	135,212	0	135,212
Reserved for Endowments	0	46,270	46,270
Unreserved, Undesignated in:			
General Fund (Deficit)	1,142,741	0	1,142,741
Special Revenue Funds	0	185,695	185,695
Capital Projects Funds	0	(18,773)	(18,773)
Total Fund Balances	1,552,670	393,544	1,946,214
Total Liabilities and Funds Balances	\$ 8,372,170	\$ 1,135,353	\$ 9,507,523

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30, 2003***

Total Governmental Fund Balances	\$ 1,946,214
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	4,906,887
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	392,625
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	53,815
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,694,437)</u>
 <i>Net Assets of Governmental Funds</i>	 <u><u>\$ 5,605,104</u></u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 5,315,701	\$ 332,355	\$ 5,648,056
Tuition	20,615	0	20,615
Investment Earnings	37,237	3,969	41,206
Extracurricular Activities	0	222,105	222,105
Class Materials and Fees	11,800	0	11,800
Intergovernmental - State	7,321,589	609,008	7,930,597
Intergovernmental - Federal	0	824,730	824,730
All Other Revenue	9,468	71,160	80,628
Total Revenue	12,716,410	2,063,327	14,779,737
Expenditures:			
Current:			
Instruction	7,819,966	856,285	8,676,251
Supporting Services:			
Pupils	570,498	77,228	647,726
Instructional Staff	485,747	435,642	921,389
Board of Education	56,556	0	56,556
Administration	1,173,551	126,149	1,299,700
Fiscal Services	405,833	8,428	414,261
Business	185,724	8,769	194,493
Operation & Maintenance of Plant	1,541,991	26,852	1,568,843
Pupil Transportation	217,290	0	217,290
Central	6,449	6,330	12,779
Community Services	11,932	62,755	74,687
Extracurricular Activities	200,213	206,962	407,175
Capital Outlay	6,353	508,054	514,407
Debt Service:			
Principal Retirement	0	53,000	53,000
Interest & Fiscal Charges	0	16,634	16,634
Total Expenditures	12,682,103	2,393,088	15,075,191
Excess (Deficiency) of Revenues Over Expenditures	34,307	(329,761)	(295,454)
Other Financing Sources (Uses):			
Operating Transfers In	139	18,585	18,724
Operating Transfers Out	(18,520)	(204)	(18,724)
Refund of P/Y Expenditures	12,014	0	12,014
Total Other Financing Sources (Uses)	(6,367)	18,381	12,014
Net Change in Fund Balance	27,940	(311,380)	(283,440)
Fund Balances at Beginning of Year	1,524,730	704,924	2,229,654
Fund Balances End of Year	\$ 1,552,670	\$ 393,544	\$ 1,946,214

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (283,440)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 117,476

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (5,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 207,389

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 80,745

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,763

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 271,216

The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (139,017)

Change in Net Assets of Governmental Activities \$ 252,132

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Local Sources:				
Taxes	\$ 5,536,000	\$ 5,277,975	\$ 5,266,490	\$ (11,485)
Tuition	0	29,000	20,615	(8,385)
Investment Earnings	59,000	51,100	40,915	(10,185)
Class Material and Fees	11,500	11,500	11,800	300
Intergovernmental - State	7,282,500	7,293,885	7,316,203	22,318
All Other Revenues	<u>5,600</u>	<u>19,605</u>	<u>9,468</u>	<u>(10,137)</u>
Total Revenues	<u>12,894,600</u>	<u>12,683,065</u>	<u>12,665,491</u>	<u>(17,574)</u>
Expenditures:				
Current:				
Instruction	7,998,446	8,031,616	7,833,622	197,994
Support Services:				
Pupils	678,107	654,616	579,175	75,441
Instructional Staff	674,085	537,744	497,927	39,817
Board of Education	67,062	119,881	70,516	49,365
Administration	1,032,808	1,204,608	1,155,046	49,562
Fiscal Services	218,452	244,702	412,245	(167,543)
Business	222,089	282,481	294,018	(11,537)
Operation and Maintenance of Plant	1,606,757	1,645,942	1,592,769	53,173
Pupil Transportation	239,789	247,994	224,072	23,922
Central	5,735	9,235	8,586	649
Community Services	12,900	13,171	11,936	1,235
Extracurricular Activities	160,421	233,431	230,645	2,786
Capital Outlay	<u>6,353</u>	<u>6,353</u>	<u>6,353</u>	<u>0</u>
Total Expenditures	<u>12,923,004</u>	<u>13,231,774</u>	<u>12,916,910</u>	<u>314,864</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,404)	(548,709)	(251,419)	297,290
Other Financing Sources (Uses):				
Proceeds from the Sale of Fixed Assets	0	0	0	0
Operating Transfers In	0	125	139	14
Operating Transfers Out	(18,500)	(18,650)	(18,620)	30
Advances In	0	30,000	30,000	0
Advances Out	(12,000)	(94,562)	(94,562)	0
Refund of Prior Year's Expenditures	810	11,810	12,014	204
Total Other Financing Sources (Uses):	<u>(29,690)</u>	<u>(71,277)</u>	<u>(71,029)</u>	<u>248</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(58,094)	(619,986)	(322,448)	297,538
Fund Balance at Beginning of Year	<u>2,683,713</u>	<u>2,683,713</u>	<u>2,683,713</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,625,619</u>	<u>\$ 2,063,727</u>	<u>\$ 2,361,265</u>	<u>\$ 297,538</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Net Assets
Proprietary Funds
June 30, 2003***

	Food Service	Uniform School Supplies	Total	Governmental Activities - Internal Service Funds
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 203,815	\$ 123,269	\$ 327,084	\$ 204,033
Receivables:				
Interest	420	0	420	430
Inventory of Supplies at Cost	6,405	0	6,405	0
<i>Total Current Assets</i>	210,640	123,269	333,909	204,463
<i>Non Current Assets:</i>				
Capital Assets, Net	100,808	1,004	101,812	0
Total Assets	311,448	124,273	435,721	204,463
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	351	0	351	0
Accrued Wages and Benefits	37,311	0	37,311	0
Intergovernmental Payable	33,391	76	33,467	6
Claims Payable	0	0	0	149,455
Deferred Revenue	3,488	0	3,488	0
<i>Total Current Liabilities</i>	74,541	76	74,617	149,461
<i>Long Term Liabilities:</i>				
Compensated Absences Payable	16,430	0	16,430	0
<i>Total Long Term Liabilities</i>	16,430	0	16,430	0
Total Liabilities	90,971	76	91,047	149,461
Net Assets:				
Invested in Capital Assets, Net of Related Debt	101,812	0	101,812	0
Unrestricted	118,665	124,197	242,862	55,002
Total Net Assets	\$ 220,477	\$ 124,197	\$ 344,674	\$ 55,002
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			1,732	
Net Assets of Business-type Activities			\$ 346,406	

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

	Food Service	Uniform School Supplies	Total	Governmental Activities - Internal Service Funds
Operating Revenues:				
Sales	\$ 311,765	\$ 0	\$ 311,765	\$ 0
Tuition and Fees	0	37,089	37,089	14,725
Other Operating Revenue	0	0	0	1,813,478
Total Operating Revenues	311,765	37,089	348,854	1,828,203
Operating Expenses:				
Salaries and Wages	246,829	0	246,829	7,652
Fringe Benefits	102,665	76	102,741	741
Contractual Services	9,743	0	9,743	1,966,199
Supplies and Materials	367,229	59,757	426,986	2,660
Depreciation	12,586	126	12,712	0
Other Operating Expense	22,132	0	22,132	0
Total Operating Expenses	761,184	59,959	821,143	1,977,252
Operating Income (Loss)	(449,419)	(22,870)	(472,289)	(149,049)
Nonoperating Revenue (Expenses):				
Operating Grants	404,349	0	404,349	0
Investment Earnings	2,053	0	2,053	4,210
Other Non-Operating Revenue	0	0	0	160
Total Nonoperating Revenues (Expenses)	406,402	0	406,402	4,370
Change in Net Assets	(43,017)	(22,870)	(65,887)	(144,679)
Net Assets Beginning of Year	263,494	147,067	410,561	199,681
Net Assets End of Year	<u>\$ 220,477</u>	<u>\$ 124,197</u>	<u>\$ 344,674</u>	<u>\$ 55,002</u>
Change in Net Assets - Total Enterprise Funds			\$ (65,887)	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>(5,117)</u>	
Change in Net Assets - Total Enterprise Funds			<u>\$ (71,004)</u>	

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

Statement of Cash Flows Proprietary Funds June 30, 2003

	Business-Type Activities Enterprise Funds			Governmental Activities
	Food Service	Uniform School Supply	Total	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$311,765	\$0	\$311,765	\$0
Cash Received from Tuition and Fee Payments	0	37,089	37,089	14,885
Cash Received from Interfund Charges	0	0	0	1,813,478
Cash Payments for Goods and Services	(343,155)	(59,790)	(402,945)	(2,135,450)
Cash Payments to Employees for Services and Benefits	(345,711)	0	(345,711)	(8,463)
Net Cash Used by Operating Activities	<u>(377,101)</u>	<u>(22,701)</u>	<u>(399,802)</u>	<u>(315,550)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	351,212	0	351,212	0
Transfers Out	0	0	0	0
Net Cash Provided by Noncapital Financing Activities	<u>351,212</u>	<u>0</u>	<u>351,212</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Equipment	(4,239)	0	(4,239)	0
Net Cash Used by Capital and Related Financing Activities	<u>(4,239)</u>	<u>0</u>	<u>(4,239)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	2,532	0	2,532	5,861
Net Cash Provided by Investing Activities	<u>2,532</u>	<u>0</u>	<u>2,532</u>	<u>5,861</u>
Net Decrease in Cash and Cash Equivalents	(27,596)	(22,701)	(50,297)	(309,689)
Cash and Cash Equivalents at Beginning of Year	231,411	145,970	377,381	513,722
Cash and Cash Equivalents at End of Year	<u>\$203,815</u>	<u>\$123,269</u>	<u>\$327,084</u>	<u>\$204,033</u>
<u>Reconciliation of Operating Loss to Net Cash</u>				
<u>Used by Operating Activities:</u>				
Operating Income (Loss)	(\$449,419)	(\$22,870)	(\$472,289)	(\$149,049)
Adjustments to Reconcile Operating Loss to				
Net Cash Used by Operating Activities:				
Miscellaneous Non-Operating Income	0	0	0	160
Depreciation Expense	12,586	126	12,712	0
Donated Commodities Used During the Year	53,137	0	53,137	0
Changes in Assets and Liabilities:				
Decrease in Inventory	8,362	0	8,362	0
Increase (Decrease) in Accounts Payable	351	(33)	318	0
Increase in Accrued Wages and Benefits	994	0	994	0
Increase (Decrease) in Intergovernmental Payables	5,175	76	5,251	(70)
Decrease in Deferred Revenue	(5,901)	0	(5,901)	0
Decrease in Claims Payable	0	0	0	(166,591)
Decrease in Compensated Absences	(2,386)	0	(2,386)	0
Total Adjustments	<u>72,318</u>	<u>169</u>	<u>72,487</u>	<u>(166,501)</u>
Net Cash Used by Operating Activities	<u>(\$377,101)</u>	<u>(\$22,701)</u>	<u>(\$399,802)</u>	<u>(\$315,550)</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003***

	<u>Private Purpose Trust</u>		
	<u>Special Trust Fund</u>	<u>Student Activity Fund</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 11,742	\$ 38,877	\$ 50,619
Receivables:			
Interest	193	0	193
Restricted Assets:			
Investments	<u>411,672</u>	<u>0</u>	<u>411,672</u>
Total Assets	<u>423,607</u>	<u>38,877</u>	<u>462,484</u>
Liabilities:			
Due to Students	0	38,877	38,877
Advances from Other Funds	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Liabilities	<u>1,000</u>	<u>38,877</u>	<u>39,877</u>
Net Assets:			
Unrestricted	<u>422,607</u>	<u>0</u>	<u>422,607</u>
Total Net Assets	<u>\$ 422,607</u>	<u>\$ 0</u>	<u>\$ 422,607</u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

***Statement of Changes in Net Assets
Fiduciary Funds
June 30, 2003***

	<u>Private Purpose Trust</u>
	<u>Special Trust Fund</u>
Additions:	
Investment Earnings:	
Net Increase in the Fair Value of Investments	\$ (3,260)
Total Additions	<u>(3,260)</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>20,254</u>
Total Deductions	<u>20,254</u>
Change in Net Assets	(23,514)
Net Assets at Beginning of Year	<u>446,121</u>
Net Assets End of Year	<u><u>\$ 422,607</u></u>

See accompanying notes to the basic financial statements

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Coshocton City School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 92 noncertified and approximately 155 certified teaching personnel and administrative employees providing education to 1,987 students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

Coshocton City School District participates in four organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Education Service Association, the Coshocton County Joint Vocational School District, the Coshocton County Tax Incentive Review Council, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 20 to the general purpose financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following is the District's only major governmental fund:

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

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body 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. The District's enterprise funds are:

Food Services Fund – This fund accounts for the financial transactions related to the food service operations of the District.

Uniform School Supplies Fund – This fund accounts for the purchase and sale of school supplies for use in the District. Profits derived from such sales are used for school purposes or activities connected with the school.

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs, gifts and awards for specific students. State law permits the District to appropriate for purposes consistent with the endowment's intent, net appreciation, both realized and unrealized. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The Statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, income taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2003, and which are not intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and the private-purpose trust fund. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include income and property taxes, grants, entitlement and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the basis of budgeting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board 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 District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2003.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year with approval of the Board. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. 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 appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	General Fund
_____	_____
GAAP Basis (as reported)	\$27,940
Increase (Decrease):	
Accrued Revenues at June 30, 2002, received during FY 2003	(258,973)
Accrued Revenues at June 30, 2001, received during FY 2002	143,492
Accrued Expenditures at June 30, 2002, paid during FY 2003	1,450,063
Accrued Expenditures at June 30, 2001, paid during FY 2002	(1,331,800)
FY 2001 Prepays for FY 2002	29,325
FY 2002 Prepays for FY 2003	(56,745)
Encumbrances Outstanding	(325,750)
Budget Basis	<u>(\$322,448)</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2003, cash and cash equivalents included amounts in demand deposits, certificates of deposit with original maturities of greater than three months, repurchase agreements, government securities and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements and certificates of deposit) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

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

H. Inventory

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

On fund financial statements, inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life threshold of five or more years.

1. Property, Plant and Equipment - Governmental Activities

Governmental Activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment - Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost for assets not purchased in recent years), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Machinery, Equipment, Furniture and Fixtures	5-20

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	Bond Retirement Fund
Capital Leases	General Fund, School Net Plus Fund
Compensated Absences	General Fund, Food Services Fund

K. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method.

K. Compensated Absences (Continued)

Certified employees may earn 15 days of sick leave per year up to a maximum of 208 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 52 days. Classified employees may earn 15 days of sick leave per year up to a maximum of 168 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 42 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government-wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

L. Net Assets

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

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

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Activity

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

O. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, debt service, property taxes, statutory requirements, and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations under state statute.

P. Restricted Assets

Restricted assets represent cash and cash equivalents set aside to establish reserves for textbooks, capital acquisition, and budget stabilization. This reserve is required by state statute.

Q. Estimates

The preparation of the 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 could differ from those estimates.

R. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and interfund charges for the internal service funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no special items during fiscal year 2003.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the District has implemented GASB Statement No. 34, "*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*" GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*"; GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*"; and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*" At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 36, 37 and 38, or Interpretation No. 6.

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

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

In addition, an error in accounting for machinery and equipment required an adjustment to the beginning net asset balance reported for the Business-Type Activities.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (Continued)

B. Restatement of Fund Balance

The changes to the beginning retained earnings/fund balance, as well as the transition from fund balance to net assets of the governmental activities and the business-type activities are as follows:

	Governmental Activities	Business-Type Activities
	<u> </u>	<u> </u>
Fund Balance June 30, 2002	\$2,229,654	\$410,561
GASB 34 Adjustments:		
Capital Assets	4,794,411	0
Internal Service Fund	192,832	6,849
Long-Term Liabilities	(2,049,161)	0
Long-Term (Deferred) Assets	185,236	0
Net Assets, June 30, 2002	<u>\$5,352,972</u>	<u>\$417,410</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2003 of \$12,125 Disadvantaged Pupil Impact Aid Fund, \$58,045 in the Misc. Federal Grants Fund, and \$421 in the Extended Learning Opportunity Fund (special revenue funds), arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. Deficits do not exist under the cash basis of accounting.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

A. Deposits

At year end the carrying amount of the District's deposits was \$33,630 and the bank balance was \$127,532. Federal depository insurance covered \$100,000 of the bank balance, and all remaining deposits were classified as Category 3. In accordance with Ohio Revised Code, the remaining balance was covered by pooled collateral.

B. Investments

The District's investments at June 30, 2003 were as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Categorized Investments			
Repurchase Agreements	\$0	\$3,019,172	\$3,019,172
Common Stock/Government Securities	<u>311,790</u>	<u>0</u>	<u>311,790</u>
Noncategorized Investments			
Mutual Funds	N/A	N/A	22,882
STAR Ohio	N/A	N/A	780,369
Total Investments	<u>\$311,790</u>	<u>\$3,019,172</u>	<u>\$4,134,213</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Repurchase agreements and STAR Ohio are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$3,756,171	\$411,672
Certificates of Deposit (with maturities of greater than 3 months)	77,000	(77,000)
Investments:		
STAR Ohio	(780,369)	780,369
Repurchase Agreements	(3,019,172)	3,019,172
Per GASB Statements No. 3	<u>\$33,630</u>	<u>\$4,134,213</u>

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2003 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1994, and equalization adjustments were made in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 5- PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Coshocton City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2003, upon which the 2001 levies were based, were as follows:

Agricultural/Residential and Other Real Estate	\$135,626,140
Public Utility Personal	7,330,350
Tangible Personal Property	<u>28,765,774</u>
Total Assessed Value	<u>\$171,722,264</u>
Tax rate per \$1,000 of assessed valuation	\$51.35

NOTE 6 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, interest, interfund receivables and intergovernmental receivables.

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 2003:

Fund	Transfer In	Transfer Out
General Fund	\$139	\$18,520
Special Revenue Funds:		
Public School Support Fund	0	65
District Managed Student Activity Fund	18,585	139
Total Special Revenue Funds	<u>18,585</u>	<u>204</u>
Total All Funds	<u>\$18,724</u>	<u>\$18,724</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 8 - INTERFUND RECEIVABLES/PAYABLES

Following is a summary of interfund receivables/payables for all funds at June 30, 2003:

	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$103,062	\$0
Special Revenue Funds:		
District Managed Student Activity Fund	0	7,500
Chapter I Fund	0	55,000
Misc. Federal Grants Fund	0	31,250
Title VI-B Fund	0	8,312
Total Special Revenue Funds	0	102,062
Private Purpose Trust Fund	0	1,000
Totals	\$103,062	\$103,062

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at June 30, 2003 of \$1,732 which is offset in the Governmental Activities by the same amount.

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2003:

Historical Cost:

Class	June 30, 2002	Additions	Deletions	June 30, 2003
<i>Capital assets not being depreciated:</i>				
Land	\$466,205	\$0	\$0	\$466,205
<i>Capital assets being depreciated:</i>				
Land Improvements	0	219,315	0	219,315
Buildings and Improvement	9,199,913	0	0	9,199,913
Machinery and Equipment	2,717,762	200,216	0	2,917,978
Vehicles	466,970	61,785	(28,540)	500,215
Total Cost	\$12,850,850	\$481,316	(\$28,540)	\$13,303,626

Accumulated Depreciation:

Class	June 30, 2002	Additions	Deletions	June 30, 2003
Land Improvements	(\$2,085)	(\$1,391)	\$0	(\$3,476)
Buildings and Improvement	(5,838,258)	(181,250)	0	(6,019,508)
Machinery and Equipment	(1,841,713)	(162,075)	0	(2,003,788)
Vehicles	(374,383)	(19,124)	23,540	(369,967)
Total Depreciation	(\$8,056,439)	(\$363,840) *	\$23,540	(\$8,396,739)
<i>Net Value:</i>	\$4,794,411			\$4,906,887

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 9 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charges to governmental functions as follows:

Instruction	\$236,302
Support Services:	
Pupils	249
Instructional Staff	29,053
Administration	41,690
Fiscal Services	1,332
Operations & Maintenance of Plant	34,961
Extracurricular Activities	1,621
Other Noninstructional Services	18,632
Total Depreciation Expense	\$363,840

B. Business-Type Activities Capital Assets

Summary by Category at June 30, 2003:

Historical Cost:

Class	June 30, 2002	Additions	Deletions	June 30, 2003
Machinery and Equipment	\$245,434	\$4,239	\$0	\$249,673
Total Cost	\$245,434	\$4,239	\$0	\$249,673

Accumulated Depreciation:

Class	June 30, 2002	Additions	Deletions	June 30, 2003
Machinery and Equipment	(\$135,149)	(\$12,712)	\$0	(\$147,861)
Total Depreciation	(\$135,149)	(\$12,712)	\$0	(\$147,861)
<i>Net Value:</i>	\$110,285	(\$8,473)	\$0	\$101,812

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor 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. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2002, (latest information available) 5.46% was allocated to fund the pension benefit and 8.54% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2003, 2002, and 2001 were \$258,600, \$256,680, and \$245,772, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2002 employer contribution rate (latest information available) that was used to fund health care for the year 2002 was 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$14,500. The amount contributed to fund health care benefits, including the surcharge amounted to \$186,346.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. Net assets available for payment of benefits at June 30, 2002 was \$335.2 million.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2002, (latest information available) 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2003, 2002, and 2001 were \$944,400, \$919,320, and \$888,036, respectively, which were equal to the required contributions for each year.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2002, (latest information available) the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$303,557 for the District. The balance of the Health Care Reserve Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, the net health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefit recipients.

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds, intergovernmental payable, capital leases, and compensated absences of the District for the year ended June 30, 2003 is as follows:

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003	Amount Due Within One Year
Governmental Activities:					
General Obligation Bond:					
Energy Conservation Bond 6.00%	\$298,556	\$0	(\$53,000)	\$245,556	\$56,000
Capital Leases Payable	74,989	0	(27,744)	47,245	24,461
Compensated Absences	1,576,816	51,964	(326,622)	1,302,158	0
Total Governmental Activities	<u>1,950,361</u>	<u>51,964</u>	<u>(407,366)</u>	<u>1,594,959</u>	<u>80,461</u>
Business-Type Activities:					
Compensated Absences	18,816	21,585	(23,971)	16,430	0
Total Other					
Long-Term Obligations	<u>\$1,969,177</u>	<u>\$73,549</u>	<u>(\$431,337)</u>	<u>\$1,611,389</u>	<u>\$80,461</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2003, follows:

<u>Years</u>	<u>General Obligation Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 56,000	\$ 13,221	\$ 69,221
2005	60,000	9,723	69,723
2006	63,000	5,949	68,949
2007	66,556	2,008	68,564
Totals	<u>\$245,556</u>	<u>\$30,901</u>	<u>\$276,457</u>

NOTE 12 - CAPITALIZED LEASES

The District leases five copiers under capital leases. The cost of the equipment obtained under capital lease is included in the Governmental Activities Capital Assets and the related liability included in the Governmental Activities Other Long-Term Obligations.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2003:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2004	\$ 27,353
2005	14,993
2006	8,049
2007	1,341
Minimum Lease Payments	51,736
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(4,491)</u>
Present Value of minimum lease payments	<u>\$47,245</u>

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 13 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2003, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2002	\$44,096	\$0	\$68,353	\$112,449
Current Year Set-Aside Requirement	267,950	267,950	0	535,900
Current Year Offset Credits	0	(406,996)	0	0
Qualifying Disbursements	(333,043)	0	0	(333,043)
Total	<u>(\$20,997)</u>	<u>(\$139,046)</u>	<u>\$68,353</u>	<u>\$315,306</u>
Cash Balance Carried Forward to FY 2004	<u>(\$20,997)</u>	<u>(\$139,046)</u>	<u>\$68,353</u>	<u>(91,690)</u>
Amount Restricted				<u>(91,690)</u>
Total Restricted Assets				<u>(\$91,690)</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 14- RISK MANAGEMENT

A. Insurance Purchasing Pool

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP'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 OSBA. 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 WCGRP to cover the costs of administering the program.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 14 - RISK MANAGEMENT (Continued)

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2003 the District contracted with Indiana Insurance Company for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Indiana Insurance Company	Automobile	\$250 Comprehensive; \$500 Collision
Indiana Insurance Company	Buildings and Contents	\$1,000
Indiana Insurance Company	Inland Marine Coverage	\$500
Indiana Insurance Company	Boiler and Machinery	\$2,500
Indiana Insurance Company	Professional Liability	\$1,200

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The School District maintains a comprehensive health insurance program for employees. Premiums are paid by the Board of Education to Central Benefits Mutual Insurance Company.

The School District also provides life insurance and accidental death and dismemberment insurance to employees through Central Benefits Mutual Insurance Company in the amount of \$20,000 for certified employees, \$14,000 for classified employees working 25 hours or less per week, and \$20,000 for classified employees working 25 or more hours per week.

The School District also maintains a limited risk dental and prescription insurance program for employees. Premiums are paid to a third party administrator, Acordia Benefits Plans Inc. The claims are processed by the third party administrator and monitored by the School District in conjunction with the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. The outstanding claims at June 30, 2003, for the dental and prescription self-insurance programs amounted to \$149,455.

The agreement with Acordia Benefit Plans, Inc. requires either party to provide 90 days advance notice to terminate the relationship. Upon termination of the agreement with Acordia Benefits Plans Inc., Acordia shall furnish claims payment services to those claims for which it had received complete information prior to the termination date and at the same charges as were in effect under the agreement unless the School District notifies Acordia in writing at the time of such termination that such services are not required by the School District.

Upon termination Acordia Benefits shall forward to the School District such claims file and other records as the School District may reasonably require for the administration of the Plan or any plan adopted in its place.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 14 - RISK MANAGEMENT (Continued)

B. Other Insurance (Continued)

The claims liability of \$149,455 reported in the fund at June 30, 2003 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2003 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2002	\$ 153,135	\$ 1,558,515	\$ (1,395,604)	\$ 316,046
2003	316,046	1,965,259	(2,131,850)	149,455

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio School Boards Association Workers' Compensation Group Rating Program

The School District participates in a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Board Association (OSBA) WCGRP was established through the OSBA as a group purchasing pool.

B. Coshocton County Joint Vocational School District

The Coshocton County Joint Vocational School is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The Coshocton City School District students may attend the Joint Vocational School. Each participating School District's control is limited to its representation on the Joint Vocational School Board of Education. During fiscal year 2003, no monies were paid to the Joint Vocational School from the Coshocton City School District.

C. Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) (Continued)

The OME-RESA is one of twenty-five regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio School Districts. Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by fifty-two member school districts in ten different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

The OME-RESA is located in the Jefferson County School building in Steubenville, Ohio. The Jefferson County School is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

D. Coshocton County Tax Incentive Review Council

The Coshocton County Tax Incentive Review Council (CCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to state statute. CCTIRC has 19 members, consisting of three members appointed by the County Commissioners, three members appointed by municipal corporations, eight members appointed by township trustees, one member from the county auditor's office and four members appointed by boards of education located within the county. CCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the CCTIRC is not dependent on the District's continued participation and no equity interest exists.

The School District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

COSHOCTON CITY SCHOOL DISTRICT, OHIO

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2003.

C. State School Funding

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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
Coshocton City School District
Coshocton, Ohio

We have audited the financial statements of Coshocton City School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003, wherein we noted the District adopted Government Accounting Standards Board Statements 34,37,38, and Interpretation 6. 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 Coshocton City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of Coshocton City School District in a separate letter dated December 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coshocton City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated December 12, 2003.

This report is intended for the information of the District's Board of Education, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 12, 2003

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

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
Coshocton City School District
Coshocton, Ohio

Compliance

We have audited the compliance of Coshocton City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Coshocton City School District's major federal programs are 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 each of its major federal programs is the responsibility of Coshocton City School District management. Our responsibility is to express an opinion on Coshocton City School 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 federal program occurred. An audit includes examining, on a test basis, evidence about Coshocton City School 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 Coshocton City School District's compliance with those requirements.

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

Internal Control Over Compliance

The management of Coshocton City School 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 Coshocton City School 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.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
December 12, 2003

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

1. Summary of Auditor's Results

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section. 510?	NO
(d)(1)(vii)	Major Programs:	Nutrition Cluster; CFDA #10.550 CFDA #10.553 CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**COSHOCTON CITY SCHOOL DISTRICT
COSHOCTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE:						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$ 63,409	\$ -	\$ 63,409	\$ -
National School Lunch Program	n/a	10.555	268,041	-	268,041	-
Food Distribution Program	n/a	10.550	-	47,236	-	47,236
Total Nutrition Cluster			331,450	47,236	331,450	47,236
Total U.S. Department of Agriculture			331,450	47,236	331,450	47,236
U.S. DEPARTMENT OF EDUCATION:						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	043828C1S102 043828C1S103	84.010	9,560 190,726 200,286	- - -	29,217 177,862 207,079	- - -
Special Education Cluster:						
Title VI-B Special Education Assistance for handicapped Children	0438286BSF02 0438286BSF03	84.027	25,306 192,424	- -	57,030 200,736	- -
Preschool Grants for Children with Disabilities	043828PG3102 043828PG3103	84.173	- 21,031 238,761	- - -	6,382 25,133 289,281	- - -
Drug Free School Program	043828DRS103	84.186	4,110 4,110	- -	4,062 4,062	- -
Evenstart Program	043828EVA103	84.213	46,103 46,103	- -	97,968 97,968	- -
Eisenhower Professional Dev. Grant	043828MSS101 043828MSS102	84.281	866 - 866	- - -	2,330 4,768 7,098	- - -
Innovative Education Program Strategies	043828C2S103 043828C2S102 043828C2S100	84.298	2,422 - - 2,422	- - -	- 775 6,844 7,619	- - -
Technology Literacy Challenge	043828TJS103	84.318	1,349 1,349	- -	5 5	- -
Title VI-R Class Size Reduction	043828CRS102 043828CRS101	84.340	3,789 - 3,789	- - -	10,742 1,973 12,715	- - -
Improving Teacher Quality State Grant	043828TRS103	84.367	103,755 103,755	- -	135,109 135,109	- -
School Renovation Grant (ATIP)	043828ATS103	84.352A	17,289 17,289	- -	14,536 14,536	- -
Total U.S. Department of Education			618,730	-	775,472	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Pass through Ohio Department of MR/DD						
Medical Assistance - CAFS	10040199	93.778	65,161	-	28,963	-
Total U.S. Department of Health and Human Services			65,161	-	28,963	-
Total Federal Awards Expenditures			1,015,341	47,236	1,135,885	47,236

See notes to Schedule of Federal Awards Expenditures.

COSHOCTON CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTES A – 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.

NOTES B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with the State Grants. It is assumed that federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

COSHOCTON CITY SCHOOL DISTRICT

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2004**