



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

Strasburg-Franklin Local School District  
Tuscarawas County  
140 North Bodmer Avenue  
Strasburg, Ohio 44680

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Strasburg-Franklin Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Strasburg-Franklin Local School District, Tuscarawas County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof and the 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 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

December 5, 2005

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The management's discussion and analysis of the Strasburg-Franklin Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$101,475 which represents a 4.84% increase from 2003.
- General revenues accounted for \$4,331,798 in revenue or 85.71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$722,164 or 14.29% of total revenues of \$5,053,962.
- The District had \$4,952,487 in expenses related to governmental activities; \$722,164 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,331,798 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$4,397,786 in revenues and \$4,371,365 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance increased \$26,421 from \$587,590 to \$614,011.
- The District's permanent improvement fund had \$173,273 in revenues and other financing sources and \$5,378 in expenditures. During fiscal year 2004, the permanent improvement fund's fund balance increased \$167,895 from \$116,194 to \$284,089.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

***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* than can readily be converted to cash. The governmental fund financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-47 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the 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 years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	<b>Net Assets</b>
	Governmental Activities
	<u>2004</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 3,026,935
Capital assets	<u>1,513,388</u>
Total assets	<u>4,540,323</u>
<b><u>Liabilities</u></b>	
Current liabilities	2,016,095
Long-term liabilities	<u>324,755</u>
Total liabilities	<u>2,340,850</u>
<b><u>Net Assets</u></b>	
Invested in capital assets	1,513,388
Restricted	305,709
Unrestricted	<u>380,376</u>
Total net assets	<u>\$ 2,199,473</u>

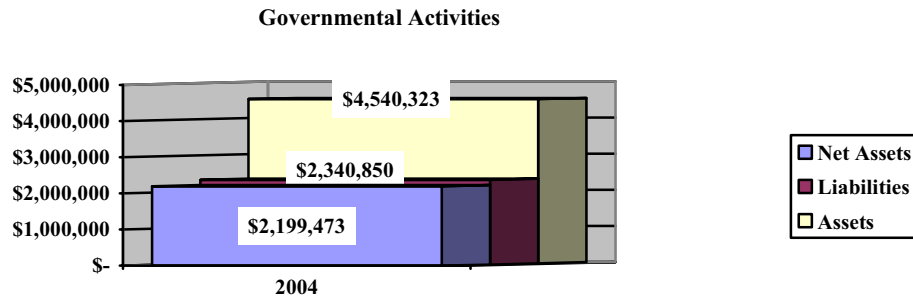
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$2,199,473. Of this total, \$380,376 is unrestricted in use.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

At year-end, capital assets represented 33.33% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The amount invested in capital assets at June 30, 2004, were \$1,513,388. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$305,709, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$380,376 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2004
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 457,090
Operating grants and contributions	247,474
Capital grants and contributions	17,600
General revenues:	
Property taxes	1,642,727
Grants and entitlements	2,655,994
Investment earnings	12,653
Other	20,424
Total revenues	5,053,962

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 2,373,018
Special	315,130
Vocational	76,812
Other	178,417
Support services:	
Pupil	156,324
Instructional staff	221,203
Board of education	14,996
Administration	497,536
Fiscal	127,565
Operations and maintenance	311,656
Pupil transportation	198,104
Central	40,160
Food service operations	201,539
Extracurricular activities	<u>240,027</u>
Total expenses	<u>4,952,487</u>
Change in net assets	101,475
Net assets at beginning of year (restated)	<u>2,097,998</u>
Net assets at end of year	<u><u>\$ 2,199,473</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$101,475. Total governmental expenses of \$4,952,487 were offset by program revenues of \$722,164 and general revenues of \$4,331,798. Program revenues supported 14.69% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 85.06% of total governmental revenue.

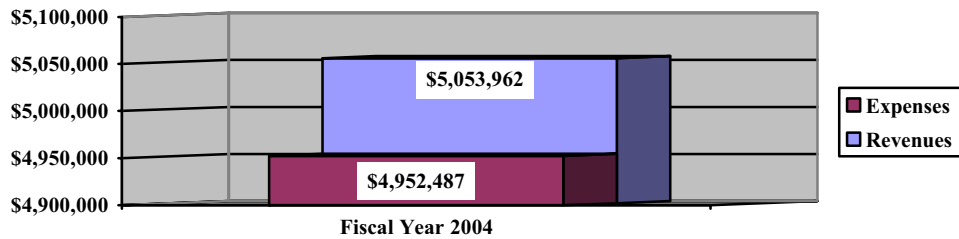
The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,943,377 or 59.43% of total governmental expenses for fiscal 2004.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

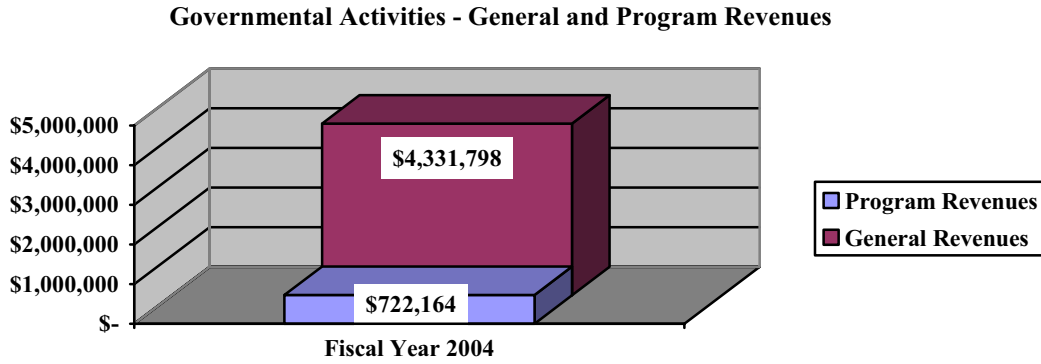
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 2,373,018	\$ 2,133,381
Special	315,130	252,121
Vocational	76,812	74,812
Other	178,417	178,417
Support services:		
Pupil	156,324	151,036
Instructional staff	221,203	168,772
Board of education	14,996	14,996
Administration	497,536	484,381
Fiscal	127,565	127,565
Operations and maintenance	311,656	311,180
Pupil transportation	198,104	194,254
Central	40,160	33,792
Food service operations	201,539	(7,305)
Extracurricular activities	240,027	112,921
<b>Total expenses</b>	<u>\$ 4,952,487</u>	<u>\$ 4,230,323</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 89.49% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.42%.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$964,362, which is higher than last year's total of \$758,865. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 614,011	\$ 587,590	\$ 26,421	4.50 %
Permanent Improvement	284,089	116,194	167,895	144.50 %
Other Governmental	<u>66,262</u>	<u>55,081</u>	<u>11,181</u>	20.30 %
Total	<u>\$ 964,362</u>	<u>\$ 758,865</u>	<u>\$ 205,497</u>	27.08 %

**General Fund**

The District's general fund balance increased \$26,421 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to several items related to increasing revenues staying ahead of increased expenditures. Revenues exceed expenditures for fiscal year 2004 by \$122,268. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 1,572,676	\$ 1,474,528	\$ 98,148	6.66 %
Tuition	145,905	152,256	(6,351)	(4.17) %
Earnings on investments	12,477	23,734	(11,257)	(47.43) %
Intergovernmental	2,646,454	2,374,890	271,564	11.43 %
Other revenues	<u>20,274</u>	<u>14,732</u>	<u>5,542</u>	37.62 %
Total	<u>\$ 4,397,786</u>	<u>\$ 4,040,140</u>	<u>\$ 357,646</u>	8.85 %
<b><u>Expenditures</u></b>				
Instruction	\$ 2,691,181	\$ 2,557,727	\$ 133,454	5.22 %
Support services	1,462,687	1,308,126	154,561	11.82 %
Extracurricular activities	<u>121,650</u>	<u>109,402</u>	<u>12,248</u>	11.20 %
Total	<u>\$ 4,275,518</u>	<u>\$ 3,975,255</u>	<u>\$ 300,263</u>	7.55 %

***Permanent Improvement Fund***

The District's permanent improvement fund had \$77,773 in revenues, \$95,500 in transfers in from the general fund and \$5,378 in expenditures. During fiscal year 2004, the permanent improvement fund's fund balance increased \$167,895 from \$116,194 to \$284,089.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$3,950,000 and final budgeted revenues and other financing sources were \$4,350,000. Actual revenues and other financing sources for fiscal 2004 was \$4,346,562. This represents a \$3,438 decrease from final budgeted revenues.

General fund original appropriations and final appropriations (appropriated expenditures including other financing uses) totaled \$4,801,496. The actual budget basis expenditures for fiscal year 2004 totaled \$4,387,169, which was \$414,327 less than the final budget appropriations due to wages being less than expected.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2004, the District had \$1,513,388 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 870,240	\$ 870,240
Land improvements	306,540	334,086
Building and improvements	205,573	220,104
Furniture and equipment	45,417	16,017
Vehicles	85,618	112,310
 Total	 \$ 1,513,388	 \$ 1,552,757

The overall decrease in capital assets of \$39,369 is due to depreciation expense of \$84,476 exceeding capital outlays of \$45,107 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2004, the District had no debt outstanding.

At June 30, 2004, the District's overall legal debt margin was \$5,935,037, and an unvoted debt margin of \$65,945.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Current Financial Related Activities**

Because of sound fiscal planning and spending, it has not been necessary for the Board of Education to request an operating levy from district taxpayer's since 1991.

The most significant development for the District has been the November 2, 2004 passage of a bond issue to fund the construction of a new K-12 building as part of the Ohio School Facilities Commission's Expedited Local Partnership Program. Proceeds from the bond issue will raise \$6,800,000, representing more than the district's 38% local share of the project. The entire project cost is \$17,000,000. The state share of funds is expected to be available in five years when the second phase of the project will commence. The first phase of the project involves the construction of the K-6 portion of the structure, while during the second phase the 7-12 portion of the building will be constructed.

Challenges facing the district involve maintaining a sound revenue to expenditure ratio in light of proposed legislative budget reductions. In order to provide for the needs of district students, the Board and management team must maintain their practice of careful and prudent planning.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and 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 the District Treasurer at Strasburg-Franklin Local School District, 140 N. Bodmer Avenue, Strasburg, Ohio 44680-1122.



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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,335,461
Receivables:	
Taxes . . . . .	1,670,924
Accounts . . . . .	2,128
Intergovernmental . . . . .	4,061
Prepayments . . . . .	11,229
Materials and supplies inventory . . . . .	3,132
Capital assets:	
Land . . . . .	870,240
Depreciable capital assets, net . . . . .	643,148
Capital assets, net. . . . .	1,513,388
 Total assets. . . . .	 4,540,323
<b>Liabilities:</b>	
Accounts payable. . . . .	60,626
Accrued wages and benefits . . . . .	453,110
Pension obligation payable. . . . .	92,959
Intergovernmental payable . . . . .	8,693
Deferred revenue . . . . .	1,400,707
Long-term liabilities:	
Due within one year. . . . .	27,709
Due within more than one year . . . . .	297,046
Total liabilities . . . . .	2,340,850
<b>Net Assets:</b>	
Invested in capital assets . . . . .	1,513,388
Restricted for:	
Capital projects . . . . .	286,514
Other purposes . . . . .	19,195
Unrestricted. . . . .	380,376
Total net assets . . . . .	\$ 2,199,473

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 2,373,018	\$ 172,180	\$ 49,857	\$ 17,600	\$ (2,133,381)
Special . . . . .	315,130	-	63,009	-	(252,121)
Vocational . . . . .	76,812	2,000	-	-	(74,812)
Other . . . . .	178,417	-	-	-	(178,417)
Support services:					
Pupil . . . . .	156,324	-	5,288	-	(151,036)
Instructional staff . . . . .	221,203	-	52,431	-	(168,772)
Board of education . . . . .	14,996	-	-	-	(14,996)
Administration . . . . .	497,536	8,155	5,000	-	(484,381)
Fiscal . . . . .	127,565	-	-	-	(127,565)
Operations and maintenance . . . . .	311,656	-	476	-	(311,180)
Pupil transportation . . . . .	198,104	-	3,850	-	(194,254)
Central . . . . .	40,160	-	6,368	-	(33,792)
Food service operations . . . . .	201,539	147,649	61,195	-	7,305
Extracurricular activities . . . . .	240,027	127,106	-	-	(112,921)
<b>Total governmental activities . . . . .</b>	<b>\$ 4,952,487</b>	<b>\$ 457,090</b>	<b>\$ 247,474</b>	<b>\$ 17,600</b>	<b>(4,230,323)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					1,574,578
Capital projects . . . . .					68,149
Grants and entitlements not restricted					
to specific programs . . . . .					2,655,994
Investment earnings . . . . .					12,653
Miscellaneous . . . . .					20,424
<b>Total general revenues . . . . .</b>					<b>4,331,798</b>
Change in net assets . . . . .					101,475
<b>Net assets at beginning of year (restated) .</b>					<b>2,097,998</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 2,199,473</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 914,520	\$ 274,931	\$ 84,492	\$ 1,273,943
Receivables:				
Taxes. . . . .	1,599,300	71,624	-	1,670,924
Accounts . . . . .	-	-	2,128	2,128
Intergovernmental . . . . .	-	-	4,061	4,061
Prepayments . . . . .	11,229	-	-	11,229
Materials and supplies inventory . . . . .	-	-	3,132	3,132
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	61,518	-	-	61,518
Total assets . . . . .	<u>\$ 2,586,567</u>	<u>\$ 346,555</u>	<u>\$ 93,813</u>	<u>\$ 3,026,935</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 59,932	\$ -	\$ 694	\$ 60,626
Accrued wages and benefits . . . . .	430,269	-	22,841	453,110
Compensated absences payable . . . . .	18,664	-	-	18,664
Pension obligation payable. . . . .	62,676	-	1,524	64,200
Intergovernmental payable. . . . .	6,201	-	2,492	8,693
Deferred revenue. . . . .	1,394,814	62,466	-	1,457,280
Total liabilities . . . . .	<u>1,972,556</u>	<u>62,466</u>	<u>27,551</u>	<u>2,062,573</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	60,541	-	1,022	61,563
Reserved for materials and supplies inventory. . . . .	-	-	3,132	3,132
Reserved for prepayments . . . . .	11,229	-	-	11,229
Reserved for property tax unavailable for appropriation . . . . .	204,486	9,158	-	213,644
Reserved for BWC refunds. . . . .	17,021	-	-	17,021
Reserved for capital acquisition . . . . .	44,497	-	-	44,497
Unreserved, undesignated, reported in:				
General fund . . . . .	276,237	-	-	276,237
Special revenue funds. . . . .	-	-	62,108	62,108
Capital projects funds. . . . .	-	274,931	-	274,931
Total fund balances . . . . .	<u>614,011</u>	<u>284,089</u>	<u>66,262</u>	<u>964,362</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,586,567</u>	<u>\$ 346,555</u>	<u>\$ 93,813</u>	<u>\$ 3,026,935</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>	\$	964,362
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,513,388
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes		56,573
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(306,091)	
Pension obligation payable	(28,759)	
	<u>                    </u>	
Total		<u>(334,850)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>2,199,473</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,572,676	\$ 68,083	\$ -	\$ 1,640,759
Tuition. . . . .	145,905	-	-	145,905
Charges for services. . . . .	-	-	148,480	148,480
Earnings on investments. . . . .	12,477	-	176	12,653
Extracurricular. . . . .	-	-	111,314	111,314
Other local revenues. . . . .	20,274	150	49,391	69,815
Other revenue . . . . .	-	-	2,000	2,000
Intergovernmental - State. . . . .	2,646,454	9,540	55,116	2,711,110
Intergovernmental - Federal . . . . .	-	-	214,502	214,502
Total revenue . . . . .	<u>4,397,786</u>	<u>77,773</u>	<u>580,979</u>	<u>5,056,538</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,194,148	-	87,729	2,281,877
Special. . . . .	244,589	-	77,815	322,404
Vocational. . . . .	74,027	-	2,000	76,027
Other. . . . .	178,417	-	-	178,417
Support services:				
Pupil. . . . .	169,830	-	5,800	175,630
Instructional staff . . . . .	169,818	-	57,123	226,941
Board of education . . . . .	14,856	-	-	14,856
Administration. . . . .	477,490	-	12,512	490,002
Fiscal . . . . .	126,025	1,378	-	127,403
Operations and maintenance. . . . .	307,514	4,000	600	312,114
Pupil transportation . . . . .	163,468	-	4,065	167,533
Central. . . . .	33,686	-	6,474	40,160
Food service operations . . . . .	-	-	208,803	208,803
Extracurricular activities. . . . .	121,650	-	107,224	228,874
Total expenditures . . . . .	<u>4,275,518</u>	<u>5,378</u>	<u>570,145</u>	<u>4,851,041</u>
Excess of revenues over expenditures . . . . .	<u>122,268</u>	<u>72,395</u>	<u>10,834</u>	<u>205,497</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	95,500	347	95,847
Transfers (out). . . . .	<u>(95,847)</u>	-	-	<u>(95,847)</u>
Total other financing sources (uses) . . . . .	<u>(95,847)</u>	<u>95,500</u>	<u>347</u>	<u>-</u>
Net change in fund balances . . . . .	26,421	167,895	11,181	205,497
<b>Fund balances at beginning of year (restated) . . . . .</b>	<u>587,590</u>	<u>116,194</u>	<u>55,081</u>	<u>758,865</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 614,011</u>	<u>\$ 284,089</u>	<u>\$ 66,262</u>	<u>\$ 964,362</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, 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, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	205,497
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$84,476) exceeds capital outlays (\$45,107) in the current period.		(39,369)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(2,576)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(62,077)
		<hr style="border-top: 1px solid black;"/>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>101,475</b>
		<hr style="border-top: 3px double black;"/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, 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, 2004

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,389,765	\$ 1,530,500	\$ 1,510,374	\$ (20,126)
Tuition. . . . .	132,756	146,200	145,905	(295)
Earnings on investments. . . . .	15,255	16,800	17,596	796
Other local revenues . . . . .	22,701	25,000	20,274	(4,726)
Intergovernmental - State . . . . .	2,380,443	2,621,500	2,646,454	24,954
Total revenue . . . . .	<u>3,940,920</u>	<u>4,340,000</u>	<u>4,340,603</u>	<u>603</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,396,216	2,349,967	2,193,449	156,518
Special. . . . .	269,065	268,715	242,127	26,588
Vocational. . . . .	80,485	81,385	72,648	8,737
Other. . . . .	124,000	179,000	178,417	583
Support services:				
Pupil. . . . .	187,489	177,189	167,516	9,673
Instructional staff . . . . .	206,378	205,031	163,460	41,571
Board of education . . . . .	26,250	27,500	17,995	9,505
Administration. . . . .	493,776	506,626	460,554	46,072
Fiscal . . . . .	149,178	141,578	128,491	13,087
Operations and maintenance. . . . .	340,798	327,298	297,748	29,550
Pupil transportation . . . . .	243,061	261,060	216,432	44,628
Central. . . . .	49,500	43,500	33,690	9,810
Extracurricular activities. . . . .	139,800	136,800	118,795	18,005
Total expenditures . . . . .	<u>4,705,996</u>	<u>4,705,649</u>	<u>4,291,322</u>	<u>414,327</u>
Excess of revenues over (under) expenditures. . . . .	<u>(765,076)</u>	<u>(365,649)</u>	<u>49,281</u>	<u>414,930</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(95,500)	(95,847)	(95,847)	-
Advances in. . . . .	9,080	10,000	5,959	(4,041)
Total other financing sources (uses) . . . . .	<u>(86,420)</u>	<u>(85,847)</u>	<u>(89,888)</u>	<u>(4,041)</u>
Net change in fund balance . . . . .	(851,496)	(451,496)	(40,607)	410,889
<b>Fund balance at beginning of year. . . . .</b>	928,400	928,400	928,400	-
<b>Prior year encumbrances appropriated . . . . .</b>	27,321	27,321	27,321	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 104,225</u>	<u>\$ 504,225</u>	<u>\$ 915,114</u>	<u>\$ 410,889</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 30,344
Investments. . . . .	<u>24,138</u>	<u>-</u>
Total assets. . . . .	<u>24,138</u>	<u>\$ 30,344</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	\$ -	\$ 43
Due to students . . . . .	<u>-</u>	<u>30,301</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 30,344</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>\$ 24,138</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 955
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,000
Change in net assets . . . . .	(45)
<b>Net assets at beginning of year . . . . .</b>	<b>24,183</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 24,138</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

There have been schools in Franklin Township, Tuscarawas County, Ohio, dating back to 1816. However, the Strasburg-Franklin Local School District (the "District") was officially formed in 1946, with the closing of the last of six township schools, and the transfer of those students to the school buildings in town for their education.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State or federal agencies. The Board controls the District's one facility, staffed by 18 classified personnel, 49 certificated teaching personnel and three administrators who provide service to 697 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Joint Vocational School District

The Joint Vocational School District 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 District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Joint Vocational School District. Each participating District's control is limited to its representation on the Joint Vocational School District's Board of Education.

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

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public 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 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 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.

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public 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.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Section 5705.62 of the Ohio Revised Code. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the county. TCTIRC 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 TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no measurable equity interest exists.

Strasburg Enterprise Zone Committee

The Strasburg Enterprise Zone Committee (Enterprise Zone) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. The Enterprise Zone Committee has seven members, consisting of three members appointed by Strasburg Village Council, the Mayor of the Village, two business people, and one member appointed by the Strasburg-Franklin Local Board of Education. The committee has the authority to negotiate tax abatement agreements with current and prospective businesses located in the Enterprise Zone. There is no cost associated with being a member of this committee. The continued existence of this committee is not dependent upon the School continued participation and no equity interest exists.

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

*Permanent Improvement Fund* - The permanent improvement fund is used to account for all transactions related to the acquiring, construction, or improving of permanent improvement.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

*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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The agency fund does not report a measurement focus as it does not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Tuscarawas County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The final budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level for the general fund and at the fund level for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund, function and object must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the legal level of control.

**F. Cash and Investments**

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

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$12,477, which includes \$3,044 assigned from other funds.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer’s investment account at year-end is provided in Note 4.

**G. Inventory**

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$ \$1,500. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The District does not possess infrastructure.

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

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least eight years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, BWC refunds, and capital acquisitions. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation. 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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside for capital acquisition and the remainder of the BWC set-aside which can be used for budget stabilization. This reserve is required by state statute. A schedule of statutory reserves is presented in Note 16.

**Q. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, 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", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

***Governmental Activities - Fund Reclassification and Restatement of Fund Balance*** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 605,718	\$ 116,194	\$ 67,273	\$ 789,185
Fund reclassifications	-	-	(12,192)	(12,192)
Implementation of GASB Interpretation No. 6	<u>(18,128)</u>	<u>-</u>	<u>-</u>	<u>(18,128)</u>
Restated fund balance, June 30, 2003	<u>\$ 587,590</u>	<u>\$ 116,194</u>	<u>\$ 55,081</u>	<u>\$ 758,865</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 758,865
GASB 34 adjustments:	
Long-term (deferred) assets	59,149
Capital assets	1,552,757
Pension obligation	(22,459)
Long-term liabilities	<u>(250,314)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 2,097,998</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Management Information Systems	\$ 8
Ohio Reads	3
Title I	1,620
Improving Teacher Quality	3,858

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At fiscal year-end, the District had \$2,100 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$1,237,315 and the bank balance was \$1,268,633. Of the bank balance:

1. \$200,000 was covered by federal depository insurance deposited with the District; and
2. \$1,068,633 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

The District had \$150,528 invested in STAR Ohio at June 30, 2004.



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,365,805	\$ 24,138
Investments of the cash management pool:		
Certificate of deposit	24,138	(24,138)
Investment in STAR Ohio	(150,528)	150,528
Cash on hand	<u>(2,100)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 1,237,315</u>	<u>\$ 150,528</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Permanent Improvement fund from:	
General Fund	\$95,500
Transfers to Nonmajor Governmental funds from:	
General Fund	347

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$204,486 in the general fund and \$9,158 in the Permanent Improvement capital projects fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$142,184 in the general fund and \$6,421 in the Permanent Improvement fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 54,628,610	89.60	\$ 60,040,540	91.05
Public utility personal	2,117,750	3.50	2,196,460	3.33
Tangible personal property	<u>4,199,350</u>	<u>6.90</u>	<u>3,707,860</u>	<u>5.62</u>
Total	<u>\$ 60,945,710</u>	<u>100.00</u>	<u>\$ 65,944,860</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.36		\$ 53.60	

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Property taxes	\$ 1,670,924
Accounts	2,128
Intergovernmental	<u>4,061</u>
<b>Total</b>	<b><u>\$ 1,677,113</u></b>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to the reclassification of funds from proprietary to governmental, the depreciation of capital assets in accordance with GASB Statement No. 34, a reappraisal, and errors and omissions reported in prior years.

	<u>Balance</u> <u>6/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ -	\$ 870,240	\$ 870,240
Total capital assets, not being depreciated	<u>-</u>	<u>870,240</u>	<u>870,240</u>
Capital assets, being depreciated:			
Land improvements	712,320	(97,318)	615,002
Buildings and improvements	1,354,097	(151,000)	1,203,097
Furniture and equipment	891,835	(559,392)	332,443
Vehicles	<u>410,827</u>	<u>(14,680)</u>	<u>396,147</u>
Total capital assets, being depreciated	<u>3,369,079</u>	<u>(822,390)</u>	<u>2,546,689</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(1,864,172)</u>	<u>(1,864,172)</u>
Governmental activities capital assets, net	<u>\$ 3,369,079</u>	<u>\$ (1,816,322)</u>	<u>\$ 1,552,757</u>

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 06/30/03	Additions	Deductions	Balance 06/30/04
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 870,240	\$ -	\$ -	\$ 870,240
Total capital assets, not being depreciated	<u>870,240</u>	<u>-</u>	<u>-</u>	<u>870,240</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	615,002	-	-	615,002
Buildings and improvements	1,203,097	-	-	1,203,097
Furniture and equipment	332,443	41,042	-	373,485
Vehicles	396,147	4,065	-	400,212
Total capital assets, being depreciated	<u>2,546,689</u>	<u>45,107</u>	<u>-</u>	<u>2,591,796</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(280,916)	(27,546)	-	(308,462)
Buildings and improvements	(982,993)	(14,531)	-	(997,524)
Furniture and equipment	(316,426)	(11,642)	-	(328,068)
Vehicles	(283,837)	(30,757)	-	(314,594)
Total accumulated depreciation	<u>(1,864,172)</u>	<u>(84,476)</u>	<u>-</u>	<u>(1,948,648)</u>
Governmental activities capital assets, net	<u>\$ 1,552,757</u>	<u>\$ (39,369)</u>	<u>\$ -</u>	<u>\$ 1,513,388</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 17,487
Special	785
Vocational	785

Support Services:

Pupil	2,487
Instructional staff	6,984
Administration	589
Fiscal	98
Operations and maintenance	785
Pupil transportation	30,757
Food service operations	686
Extracurricular	<u>23,033</u>
Total depreciation expense	<u>\$ 84,476</u>

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. The balance of the District's long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased from \$259,383 to \$275,240 due to the implementation of GASB Interpretation No. 6 described in Note 3. In addition, pension obligations of \$13,612 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported as part of intergovernmental payables on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was an increase of \$2,245 from \$272,995 to \$275,240. During fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences					
Severance	\$ 247,009	\$ 93,626	\$ (24,925)	\$ 315,710	\$ 18,664
Vacation	<u>28,231</u>	<u>-</u>	<u>(19,186)</u>	<u>9,045</u>	<u>9,045</u>
Total compensated absences	<u>275,240</u>	<u>93,626</u>	<u>(44,111)</u>	<u>324,755</u>	<u>27,709</u>
Total long-term obligations, governmental activities	<u>\$ 275,240</u>	<u>\$ 93,626</u>	<u>\$ (44,111)</u>	<u>\$ 324,755</u>	<u>\$ 27,709</u>

Compensated absences will be paid from the fund from which the employee is paid.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$5,935,037, and an unvoted debt margin of \$65,945.

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. The Superintendent and eleven and twelve month classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and principals do not earn vacation time.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 10 - EMPLOYEE BENEFITS - (Continued)**

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 200 days for certified employees and 198 days for classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulated, up to a maximum of 51 days for certified employees and a maximum of 48 days for classified employees. Any employee receiving such payment must meet the retirement provision set by STRS or SERS.

**B. Insurances**

The District has elected to provide employee medical/surgical benefits through a comprehensive major medical insurance program. The plan provides a medical/surgical plan with a \$400 family and a \$200 single deductible. Dental coverage is also provided through Mutual Health Services Company. Deductibles for this plan are \$25 for an individual, with a \$75 maximum family deductible. The District also provides \$25,000 in life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Co.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with Indiana Insurance Company for property insurance. Indiana Insurance Company also covers boiler and machinery with a \$1,000 deductible and inland marine coverage with a \$250 deductible.

Professional and general liability is protected by Ohio School Plan with a \$3,000,000 aggregate/\$1,000,000 single occurrence limit and a \$2,500 deductible. Vehicles are covered by Indiana Insurance Company and hold a \$100 deductible for comprehensive and \$500 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required pension contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$41,744, \$37,432, and \$26,255, respectively; 54.51% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$18,988, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required pension contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$279,836, \$273,669, and \$183,703, respectively; 81.93% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$50,563 represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$21,526 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$25,119 during the 2004 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General Fund</u>
Budget basis	\$ (40,607)
Net adjustment for revenue accruals	57,183
Net adjustment for expenditure accruals	(45,120)
Net adjustment for other sources/uses	(5,959)
Adjustment for encumbrances	60,924
GAAP basis	\$ 26,421

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not involved in significant litigation as either plaintiff or defendant.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2003	\$ (16,354)	\$ 19,861	\$ 17,021
Current year set-aside requirement	94,234	94,234	-
Current year offsets	-	(65,346)	-
Qualifying disbursements	<u>(79,541)</u>	<u>(4,252)</u>	<u>-</u>
<b>Total</b>	<u>\$ (1,661)</u>	<u>\$ 44,497</u>	<u>\$ 17,021</u>
Cash balance carried forward to FY 2005	<u>\$ (1,661)</u>	<u>\$ 44,497</u>	<u>\$ 17,021</u>

A schedule of the restricted assets at June 30, 2004 follows:

Amount restricted for BWC refunds	\$ 17,021
Amount restricted for capital acquisition	<u>44,497</u>
<b>Total restricted assets</b>	<u>\$ 61,518</u>

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Strasburg-Franklin Local School District  
Tuscarawas County  
140 North Bodmer Avenue  
Strasburg, Ohio 44680

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Strasburg-Franklin Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2005, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated December 5, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated December 5, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Education. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

December 5, 2005

**STRASBURG-FRANKLING LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2004-001**

**Reportable Condition**

**Student Activities – Fund Raisers**

The Strasburg-Franklin High School Student Activity Handbook outlines the procedures for a student activity fundraiser. These procedures are as follows:

1. Prepare a Fund Raising Request Form to be submitted to the principal with all attached requisitions needed for the fundraiser.
2. All money collected should be turned into the treasurer's office daily with a Pay-In form.
3. All disbursements shall be made by check (warrant) prepared by the treasurer, supported by proper, approved requisition and purchase order, and verified by a receiving invoice.
4. At the conclusion of the sale, the advisor will prepare a Profit and Loss Statement. All supporting documentation should be attached to this statement, including Disbursement Records, Payment Records, and itemized breakdowns from vendors.

The Fund Raising Request Form and Profit and Loss Statement are designed to account for income (actual and projected) from student activity projects. The purpose is to provide information to project sponsors and administrators and help them determine whether projects are functioning in accordance with adopted board policies. Fund Raising Request Forms and Profit and Loss Statements need to be properly completed to accomplish their intended purpose, thereby helping to determine whether projects have been properly approved and whether sales monies have been properly accounted for. Fund Raising Request Forms and Profit and Loss Statements were not completed for the following activities tested for fiscal year 2004:

<u>Organization/Club</u>	<u>Activity</u>
Baseball	Shirt Sale
Boys Basketball	Shirt Sale
Football	Elite Discount Cards, Shirt Sale
Principal's Fund	Washington DC trip

In addition, we noted not all of the money collected during the fundraisers was submitted to the Treasurer daily with a Pay-In form. During testing of Football Elite Discount Cards, cash prizes were given out to students and the vendor was paid in cash.

Additionally, we noted insufficient records were maintained by the Girls Basketball Coach for the Garage Sale and Hoop Shoot fundraisers. An inventory record was not maintained documenting the amount of inventory on hand nor the amount of inventory sold and distributed for which monies weren't collected. Source documentation was not maintained for either fundraiser. Source documentation provides important information to support the recorded transactions and can aid in identifying and correcting errors.

**FINDING NUMBER 2004-001 (Continued)**

**Reportable Condition (Continued)**

**Student Activities – Fund Raisers (Continued)**

Fund Raising Request Forms should be submitted for proper approval prior to commencing any project activity; forms should be properly completed; and advisors need to maintain appropriate source documentation. All fund raising activity records should be submitted to the appropriate level of management prior to the start of the fund raising activity, and a Profit and Loss Statement should be prepared at the end of project activity. The Profit and Loss Statement should provide documentation of total project receipts and disbursements, as well as any unusual circumstances occurring during the sale, such as loss of merchandise or disposition of unsold merchandise. Adequate control over student activity projects will help ensure that revenue is properly recorded, and errors are detected timely.





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Betty Montgomery**

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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT**

**TUSCARAWAS 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  
FEBRUARY 9, 2006**