GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Gibsonburg Exempted Village School District
Sandusky County
300 South Harrison Street
Gibsonburg, Ohio 43431-1256

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Gibsonburg Exempted Village School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gibsonburg Exempted Village School District, Sandusky County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District taken as a whole. The schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 20, 2001

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GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	$2,801,027	$225,554	$207,424	$12,215,908
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Receivables (net of allowances of uncollectibles):				
Property taxes - current	1,839,225	25,919	14,010	271,104
Accounts	2,042			
Accrued interest	2,304			
Interfund loan receivable	30,112			
Due from other governments				18,240,635
Advances to other funds	4,926			
Prepayments	10,404			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	397,736			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	**$5,087,776**	**$251,473**	**$221,434**	**$30,727,647**

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$151,080	$30,515			$15,631,508
	66,491			66,491
				2,150,258
461				2,503
				2,304
				30,112
177				18,240,812
				4,926
				10,404
4,857				4,857
				397,736
20,734		$6,011,185		6,031,919
			$5,908,856	5,908,856
			396,926	396,926
$177,309	**$97,006**	**$6,011,185**	**$6,305,782**	**$48,879,612**

(Continued)

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	$80,597	$19,363		$4,218
Accrued wages and benefits	529,175	29,126		16
Compensated absences payable	23,235			
Pension obligation payable	86,062	9,380		
Interfund loan payable		28,287		
Advances from other funds		3,626		
Deferred revenue	1,830,953	25,722	$11,250	18,511,509
Due to students				
Accrued interest payable			9,261	150,880
Asbestos removal loan payable				
Bond anticipation notes payable				5,779,000
Energy conservation notes payable				
General obligation bonds payable				
Total liabilities	2,550,022	115,504	20,511	24,445,623
Equity and other credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	125,028	33,178		7,663
Reserved for prepayments	10,404			
Reserved for debt service			120,595	
Reserved for tax revenue unavailable for appropriation	10,576	197	2,760	230
Reserved for advances	4,926			
Reserved for instructional materials	122,327			
Reserved for capital maintenance	246,135			
Reserved for budget stabilization	29,274			
Reserved for principal endowment				
Reserved for scholarships				
Designated for School Facilities Commission Project costs	197,329			
Unreserved-undesignated	1,791,755	102,594	77,568	6,274,131
Total equity and other credits	2,537,754	135,969	200,923	6,282,024
Total liabilities, equity and other credits	**$5,087,776**	**$251,473**	**$221,434**	**$30,727,647**

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$1,776	$16			$105,970
17,799				576,116
7,515			$343,804	374,554
10,858			53,122	159,422
	1,825			30,112
	1,300			4,926
2,841				20,382,275
	23,461			23,461
				160,141
				0
				5,779,000
			128,457	128,457
			5,780,399	5,780,399
40,789	26,602		6,305,782	33,504,833
		$6,011,185		6,011,185
136,520				136,520
	520			166,389
				10,404
				120,595
				13,763
				4,926
				122,327
				246,135
				29,274
	53,043			53,043
	13,448			13,448
				197,329
	3,393			8,249,441
136,520	70,404	6,011,185		15,374,779
$177,309	**$97,006**	**$6,011,185**	**$6,305,782**	**$48,879,612**

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types	
	General	**Special Revenue**
Revenues:		
From local sources:		
Taxes	$1,431,797	$15,127
Tuition	29,352	
Earnings on investments	203,625	768
Other local revenues	27,130	111,541
Other revenues		
Intergovernmental - State	4,119,567	131,447
Intergovernmental - Federal		255,683
Total revenue	5,811,471	514,566
Expenditures:		
Current:		
Instruction:		
Regular	3,110,269	145,089
Special	408,406	164,003
Vocational	87,776	
Other	28,346	
Support services:		
Pupil	284,083	45,936
Instructional staff	92,971	32,639
Board of Education	25,365	
Administration	693,600	54,590
Fiscal	168,664	308
Business	6,287	
Operations and maintenance	1,212,800	3,183
Pupil transportation	274,266	3,069
Central	970	
Community services	58,630	4,237
Extracurricular activities	143,747	115,991
Facilities services	4,298	
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	6,600,478	569,045
Excess of revenues over (under) expenditures	(789,007)	(54,479)
Other financing sources:		
Proceeds on sale of assets	2,793	
Premium on sale of bonds		
Proceeds of bonds		
Operating transfers in		
Operating transfers out		
Total other financing sources	2,793	
Excess of revenues and other financing sources over (under) expenditures	(786,214)	(54,479)
Fund balance, July 1	3,323,968	190,448
Fund balance, June 30	**$2,537,754**	**$135,969**

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

Governmental Fund Types		Fiduciary Fund Type	
Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
$271,199	$12,977		$1,731,100
			29,352
2,714	65,121	$250	272,478
	15,798	2,329	156,798
	30,519		30,519
	628,758		4,879,772
			255,683
273,913	753,173	2,579	7,355,702
	10,557		3,265,915
			572,409
			87,776
			28,346
			330,019
		564	126,174
			25,365
	1,309		749,499
4,315	1,318		174,605
			6,287
			1,215,983
			277,335
	64,661		65,631
		2,916	65,783
			259,738
	233,475		237,773
64,379			64,379
99,885	141,615		241,500
168,579	452,935	3,480	7,794,517
105,334	300,238	(901)	(438,815)
			2,793
79,909			79,909
	5,778,996		5,778,996
			0
			0
79,909	5,778,996		5,861,698
185,243	6,079,234	(901)	5,422,883
15,680	202,790	4,814	3,737,700
$200,923	**$6,282,024**	**$3,913**	**$9,160,583**

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,2001

	General Fund		
	Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
From local sources:			
Taxes	$1,826,265	$1,803,681	($22,584)
Tuition	18,000	29,351	11,351
Earnings on investments	202,942	205,689	2,747
Other local revenues	89,886	21,215	(68,671)
Intergovernmental - State	3,681,744	4,119,567	437,823
Intergovernmental - Federal			
Total revenues	5,818,837	6,179,503	360,666
Expenditures:			
Current:			
Instruction:			
Regular	3,582,057	3,151,943	430,114
Special	554,066	462,098	91,968
Vocational	115,918	94,462	21,456
Other	31,424	31,424	
Support services:			
Pupil	329,912	285,083	44,829
Instructional staff	122,698	102,105	20,593
Board of Education	46,880	39,340	7,540
Administration	701,306	683,713	17,593
Fiscal	183,600	167,668	15,932
Business	6,827	6,708	119
Operations and maintenance	1,544,519	1,247,874	296,645
Pupil transportation	395,373	325,591	69,782
Central	1,599	1,284	315
Community services	82,935	66,786	16,149
Extracurricular activities	198,262	143,836	54,426
Facilities services	5,000	4,298	702
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	7,902,376	6,814,213	1,088,163
Excess of revenues over (under) expenditures	(2,083,539)	(634,710)	1,448,829
Other financing sources (uses):			
Refund of prior year's expenditures		3,966	3,966
Refund of prior year's (receipts)			
Operating transfers in	200,000	277,500	77,500
Operating transfers (out)	(277,500)	(277,500)	
Advances in			
Advances (out)	(30,112)	(30,112)	
Proceeds from sale of notes			
Sales of assets		2,793	2,793
Total other financing sources (uses)	(107,612)	(23,353)	84,259
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(2,191,151)	(658,063)	1,533,088
Fund balance, July 1	3,405,867	3,405,867	
Prior year encumbrances appropriated	265,989	265,989	
Fund balance, June 30	**$1,480,705**	**$3,013,793**	**$1,533,088**

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$10,080	$14,930	$4,850	$220,410	$282,746	$62,336
714	768	54	700	2,714	2,014
109,772	111,541	1,769			
131,448	131,448				
283,970	259,309	(24,661)			
535,984	517,996	(17,988)	221,110	285,460	64,350
192,478	162,715	29,763			
215,654	164,983	50,671			
59,937	46,418	13,519			
47,856	34,438	13,418			
59,005	54,747	4,258			
320	308	12	7,149	4,315	2,834
13,232	2,518	10,714			
4,100	3,074	1,026			
167	167				
8,068	6,252	1,816			
131,413	126,238	5,175			
			64,379	64,379	
			10,715	10,715	
732,230	601,858	130,372	82,243	79,409	2,834
(196,246)	(83,862)	112,384	138,867	206,051	67,184
(8,908)	(8,908)				
	28,287	28,287			
(8,908)	19,379	28,287			
(205,154)	(64,483)	140,671	138,867	206,051	67,184
165,229	165,229		1,373	1,373	
77,600	77,600				
$37,675	**$178,346**	**$140,671**	**$140,240**	**$207,424**	**$67,184**

(Continued)

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,2001
(Continued)

	Capital Projects		
	Budget Revised	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
From local sources:			
Taxes	$27,200	$25,876	($1,324)
Tuition			
Earnings on investments	48,450	65,121	16,671
Other local revenues	15,000	15,798	798
Intergovernmental - State	404,261	659,277	255,016
Intergovernmental - Federal			
Total revenues	494,911	766,072	271,161
Expenditures:			
Current:			
Instruction:			
Regular	13,585	13,585	
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration	1,303	1,303	
Fiscal	1,600	1,318	282
Business			
Operations and maintenance	63,850		63,850
Pupil transportation			
Central	75,261	67,761	7,500
Community services			
Extracurricular activities			
Facilities services	237,337	235,964	1,373
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	392,936	319,931	73,005
Excess of revenues over (under) expenditures	101,975	446,141	344,166
Other financing sources (uses):			
Refund of prior year's expenditures			
Refund of prior year's (receipts)			
Operating transfers in			
Operating transfers (out)			
Advances in			
Advances (out)			
Proceeds from sale of notes	11,567,261	11,567,261	
Sales of assets			
Total other financing sources (uses)	11,567,261	11,567,261	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	11,669,236	12,013,402	344,166
Fund balance, July 1	170,587	170,587	
Prior year encumbrances appropriated	20,038	20,038	
Fund balance, June 30	**$11,859,861**	**$12,204,027**	**$344,166**

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

Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)
$2,083,955	$2,127,233	$43,278
18,000	29,351	11,351
252,806	274,292	21,486
214,658	148,554	(66,104)
4,217,453	4,910,292	692,839
283,970	259,309	(24,661)
7,070,842	7,749,031	678,189
3,788,120	3,328,243	459,877
769,720	627,081	142,639
115,918	94,462	21,456
31,424	31,424	
389,849	331,501	58,348
170,554	136,543	34,011
46,880	39,340	7,540
761,614	739,763	21,851
192,669	173,609	19,060
6,827	6,708	119
1,621,601	1,250,392	371,209
399,473	328,665	70,808
77,027	69,212	7,815
91,003	73,038	17,965
329,675	270,074	59,601
242,337	240,262	2,075
64,379	64,379	
10,715	10,715	
9,109,785	7,815,411	1,294,374
(2,038,943)	(66,380)	1,972,563
	3,966	3,966
(8,908)	(8,908)	
200,000	277,500	77,500
(277,500)	(277,500)	
	28,287	28,287
(30,112)	(30,112)	
11,567,261	11,567,261	
	2,793	2,793
11,450,741	11,563,287	112,546
9,411,798	11,496,907	2,085,109
3,743,056	3,743,056	
363,627	363,627	
$13,518,481	**$15,603,590**	**$2,085,109**

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	**Nonexpendable Trust**	**Total (Memorandum Only)**
Operating revenues:			
Tuition and fees	$35,618		$35,618
Sales/charges for services	192,174		192,174
Investment earnings		$4,016	4,016
Other operating revenues		3,996	3,996
Total operating revenues	227,792	8,012	235,804
Operating expenses:			
Personal services	145,203		145,203
Contract services	6,291		6,291
Materials and supplies	183,308	3,996	187,304
Depreciation	2,009		2,009
Other	2,348	5,800	8,148
Total operating expenses	339,159	9,796	348,955
Operating loss	(111,367)	(1,784)	(113,151)
Nonoperating revenues:			
Operating grants	76,068		76,068
Investment earnings	7,043		7,043
Federal commodities	32,846		32,846
Total nonoperating revenues	115,957		115,957
Net income (loss)	4,590	(1,784)	2,806
Retained earnings/fund balance July 1	131,930	68,275	200,205
Retained earnings/fund balance June 30	**$136,520**	**$66,491**	**$203,011**

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

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	**Nonexpendable Trust**	**Total (Memorandum Only)**
Cash flows from operating activities:			
Cash received from sales/service charges	$226,288		$226,288
Cash received from other operations	1,780	$3,996	5,776
Cash payments for personal services	(149,667)		(149,667)
Cash payments for contract services	(6,291)	(3,996)	(10,287)
Cash payments supplies and materials	(151,168)		(151,168)
Cash payments for other expenses	(918)	(5,800)	(6,718)
Net cash used in operating activities	(79,976)	(5,800)	(85,776)
Cash flows from noncapital financing activities:			
Cash received from operating grants	84,778		84,778
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,033)		(1,033)
Net cash used in capital and related financing activities	(1,033)		(1,033)
Cash flows from investing activities:			
Interest received	7,043	4,016	11,059
Net increase (decrease) in cash and cash equivalents	10,812	(1,784)	9,028
Cash and cash equivalents at beginning of year	140,268	68,275	208,543
Cash and cash equivalents at end of year	**$151,080**	**$66,491**	**$217,571**
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	($111,367)	($1,784)	($113,151)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	2,009		2,009
Federal donated commodities	32,846		32,846
Interest reported as operating income		(4,016)	(4,016)
Changes in assets and liabilities:			
Decrease in supplies inventory	1,969		1,969
Decrease in accounts receivable	276		276
Increase in accounts payable	1,349		1,349
Increase in accrued wages & benefits	2,347		2,347
Increase in compensated absences payable	1,357		1,357
Decrease in pension obligation payable	(8,168)		(8,168)
Decrease in deferred revenue	(2,594)		(2,594)
Net cash used in operating activities	**($79,976)**	**($5,800)**	**($85,776)**

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

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1. DESCRIPTION OF THE SCHOOL DISTRICT

The Gibsonburg Exempted Village School District (the District) is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. The District is located in Sandusky County, including all of the Village of Gibsonburg, Ohio, and portions of surrounding townships.

The District was originally chartered by the Ohio State Legislature. In 1853, State laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.09 of the Ohio Revised Code. The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies.

The District currently operates one elementary school and one comprehensive high school. The District employs 43 non-certified and 79 certified (including administrative) full-time and part-time employees to provide services to approximately 1,200 students in grades K through 12 and various community groups, which ranks it 451st out of approximately 682 public and community school districts in Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS:

Northwestern Ohio Educational Research Council, Inc.

The research council is a jointly governed organization which serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors.

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. Financial information is available from the Erie County Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

Vanguard Sentinel Career Centers

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District. Financial information is available from Jay Valasek, Treasurer, 1306 Cedar St., Fremont, Ohio 43420.

The District also participates in two public entity risk pools, described in Note 11.

JOINT VENTURE WITHOUT EQUITY INTEREST:

Northern Ohio Educational Computer Association (NOECA)

NOECA is a joint venture among 38 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NOECA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information is available from the Erie County Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary funds) are accounted for through Governmental funds. The following are the District's Governmental Fund Types:

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

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

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

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

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary funds and Trust funds.

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

C. Measurement Focus/Basis of Accounting

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

All Proprietary funds and the Nonexpendable Trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues.

Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary fund and Nonexpendable Trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 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 Sandusky County Budget Commission for tax rate determination.

3. Prior to April 1st, 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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels 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 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. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

8. Appropriation 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 during fiscal 2001 in the following amounts:

	Increase/(Decrease)
General Fund	$234,001
Special Revenue	241,438
Capital Projects	316,598
Enterprise	(7,525)
Expendable Trust	(695)
Nonexpendable Trust	3,996
Total, All Funds	$787,813

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

   Encumbrance accounting is utilized with school district funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 12 to the financial statements.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary 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" (including restricted amounts) on the combined balance sheet.

During 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements 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 non-negotiable certificates of deposit and repurchase agreements are reported at cost.

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, 2001.

By policy of the Board of Education, investment earnings are assigned to the General Fund, the Debt Service Fund, the Permanent Improvements Fund, the Classroom Maintenance Fund, the Food Service Fund, the Special Trust Funds, the Endowment Fund, any District Managed Activity Fund, and any Student Managed Activity Fund. The following funds were credited more interest than would have been received based upon their share of the District's investments during fiscal 2001:

	Interest Actually Received	Interest Based upon Share of Investments	Interest Assigned from Other Funds
General Fund	$203,625	$95,399	$108,226

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

F. Inventory

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than three years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

Asset	Life (years)
Buildings	30-50
Building Improvements	10-20
Improvements other than buildings	10-20
Furniture, Fixtures and Minor Equipment	8-20
Vehicles	10-15

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available (to the extent such grants and entitlements relate to the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program
State Property Tax Relief

Capital Projects Funds
State Property Tax Relief

Special Revenue Funds
Disadvantaged Pupil Impact Aid

Reimbursable Grants

General Fund
School Bus Purchases

Special Revenue Funds
Telecommunications (E-rate)
Underground Storage Tank

Proprietary Funds
National School Lunch Program
National School Milk Program

Non-Reimbursable Grants

Special Revenue Funds
Disadvantaged Pupil Program
Teacher Development
Management Information Systems
Public School Preschool
Data Communication for Schools
Instructional Materials Subsidy
Instructional Programs for Migrant Children
Education for Economic Security
Preschool for the Handicapped
Title VI-B
Title I
Title VI
Learn and Serve
Summer Intervention

Capital Projects Funds
Technology Equity Grant
Emergency School Building Repair Grant
Video Distance Grant
Power Up Grant

Grants and entitlements amounted to approximately 68% of the District's operating revenue during the 2001 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 Statement No. 16 of the Governmental Accounting Standards Board, 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 sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments (the District's requirement of 8 years' service in the District supercedes each retirement system's minimum criteria for retirement eligibility), as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least fifty (50) years of age, with at least eight (8) years of service, or twenty (20) years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

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

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, advances, budget stabilization, instructional materials, capital maintenance, and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portion of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

Designated fund balance represents amounts designated by the Board of Education for School Facilities Commission project costs.

M. Statutory Reserves

The District is required by state law to set aside certain (cash basis) General fund revenue amounts as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Instructional Materials	Capital Maintenance	Budget Stabilization	Total
Balance July 1, 2000	$ 76,379	$113,999	$ 168,249	$ 358,627
Required Set-Aside	135,965	135,965		271,930
Qualifying Expenditures	(90,017)	(3,829)		(93,846)
Change in statutory requirements			(138,975)	(138,975)
Balance June 30, 2001	122,327	246,135	29,274	397,736
Carried forward to FY 02	$122,327	$246,135	$ 29,274	$397,736

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for instructional materials	$122,327
Amount restricted for capital maintenance	246,135
Amount restricted for budget stabilization	29,274
Total restricted assets	$397,736

N. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.

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

3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those

funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

O. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include investments of the cash management pool and all short-term investments (maturity of 90 days or less from date of purchase).

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1992. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2.M. for statutory reserves.

R. Estimates

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

S. Memorandum Only - Total Columns

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements did not have any effect on fund balances as previously reported for the fiscal year ended June 30, 2000.

B. Deficit Fund Balances

Fund balances at June 30, 2001 included the following individual fund deficits:

	Deficit
Special Revenue Funds	
Title VI-B	$(437)
EHA Preschool Grants for the Handicapped	(22)
Miscellaneous Federal Grants	(149)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or 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, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys 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 and interest by the United States;

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

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

4. 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

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

8. Under limited circumstances, corporate debt instruments 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 year end, the District had $145 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

Deposits: At year-end the carrying amount of the District's deposits was $8,506,344 and the bank balance was $8,640,057 (both amounts include $5,804,773 in non-negotiable certificates of deposit but are exclusive of payroll clearance accounts). Of the bank balance:

1. $410,272 was covered by federal depository insurance.

2. $8,229,785 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which 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 or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Repurchase Agreements	$142,084	$ 142,084
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool		7,447,162
Total Investments	$142,084	$7,589,246

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	$16,095,735	
Investments of the Cash		
Management Pool:		
State Treasurer's Investment Pool	(7,447,162)	$7,447,162
Repurchase Agreement	(142,084)	142,084
Cash on Hand	(145)	
GASB Statement No. 3	$ 8,506,344	$7,589,246

5. INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2001 consist of the following individual interfund loans receivable and payable:

	Interfund Loans Receivable	Interfund Loans (Payable)
General Fund	$30,112	
Special Revenue Funds		
Title VI		$ (4,558)
Education for Economic Security		(487)
Title I		(23,242)
Agency Fund		
Student Managed Activity		(1,825)
Total Interfund Loans	$30,112	$(30,112)

B. Interfund balances at June 30, 2001 consist of the following long-term advances:

	Advances to Other Funds	Advances (from) Other Funds
General Fund	$4,926	
Special Revenue Funds		
Title VI		(3,626)
Agency Fund		
Student Managed Activity		$(1,300)
Total Long-Term Advances	$4,926	$(4,926)

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies (50% of market value) and railroads, which are assessed at 29% of market value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first $10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$52,484,150	83.88	$60,784,780	85.69
Public Utility Personal	5,740,580	9.17	5,519,500	7.78
Tangible Personal Property	4,344,230	6.95	4,629,979	6.53
	$62,568,960	100.00	$70,934,259	100.00
Tax rate per $1,000 of assessed valuation:				
Operations		45.20		45.20
Permanent Improvements		2.00		1.00
Special Purpose				.50
Bonded Debt				7.00

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Sandusky County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled $10,576 in the General fund; $197 in the Special Revenue funds; $2,760 in the Debt Service fund; and $230 in the Capital Projects funds.

7. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current year). 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 follows:

	Amounts
General Fund	
Taxes - Current & Delinquent	$1,839,225
Special Revenue Funds	
Taxes - Current & Delinquent	25,919
Debt Service Fund	
Taxes - Current & Delinquent	14,010
Capital Projects Funds	
Taxes - Current & Delinquent	271,104
Due From Other Governments	18,240,635

8. FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land/Improvements	$ 144,274	$ 626,253	$ (1,101)	$ 769,426
Buildings/Improvements	2,493,325			2,493,325
Furniture/Equipment	1,928,625	218,682	(116,426)	2,030,881
Vehicles	413,596	105,119	(30,308)	488,407
Construction in Progress		229,146		229,146
Total	$4,979,820	$1,179,200	$(147,835)	$6,011,185

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	$101,694
Less Accumulated Depreciation	(80,960)
Net Fixed Assets	$ 20,734

9. NOTE PAYABLE

During the fiscal year, on December 15, 2000, the District issued $5,779,000 in bond anticipation notes, which mature September 11, 2001. These notes are general obligations of the District, for which the full faith and credit of the District is pledged for repayment. Current operating funds will provide the source or repayment. The Capital Projects funds received the notes proceeds upon issuance and the liability is recorded in that fund.

10. LONG-TERM DEBT

A. On June 1, 2000, the District issued $5,778,996 in general obligation bonds (Series 2001, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). OSFC has awarded the District an $18,240,635 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the Debt Service fund. The source of payment is derived from a current 7.00 (average) mill bonded debt tax levy.

In conjunction with the 7.00 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the Special Revenue funds.

This issue is comprised of term current interest bonds, par value $3,340,000, serial current interest bonds, par value $2,245,000, and capital appreciation bonds, par value $530,000. The capital appreciation bonds mature each December 1, 2012 and 2013, (effective interest 8.587%,) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the General Long-Term Obligations Account Group at June 30, 2001 was $193,996. Total accredited interest of $1,403 has been included in the General Long-Term Obligations Account Group at June 30, 2001.

The current interest bonds maturing on December 1, 2017 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Redemption Date (December 1)	Principal Amount Subject to Mandatory Redemption
2014	$265,000
2015	280,000
2016	290,000

Unless previously redeemed, the remaining principal amount of $315,000 will mature at stated maturity (December 1, 2017).

The current interest bonds maturing on December 1, 2020 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Redemption Date (December 1)	Principal Amount Subject to Mandatory Redemption
2018	$320,000
2019	340,000

Unless previously redeemed, the remaining principal amount of $355,000 will mature at stated maturity (December 1, 2020).

The current interest bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Redemption Date (December 1)	Principal Amount Subject to Mandatory Redemption
2021	$375,000
2022	395,000

Unless previously redeemed, the remaining principal amount of $405,000 will mature at stated maturity (December 1, 2023).

The current interest bonds maturing on and after December 1, 2017 are subject to optional redemption at the option of the Board of Education on or after December 1, 2011, in whole or in part (in the amount of $5,000 or any integral multiple thereof) on any date at the redemption price (expressed as a percentage of the principal amount) set forth below, plus accrued interest to the date fixed for redemption:

Redemption Dates	Redemption Price
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100%

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

B. Energy conservation notes and the asbestos loan are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these obligations are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the General fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes and asbestos loans without voter approval, and the subsequent repayment of the debt from operating revenues.

C. The following is a description of the District's long-term debt outstanding as of June 30, 2001:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance 07/01/00	Issued in Fiscal 2001	Retired in Fiscal 2001	Balance 06/30/01
School Facilities Improvement Bonds	5.15%	06/01/01	12/01/23		$5,780,399		$5,780,399
Asbestos Removal Loan	None	01/30/88	06/30/01	$ 4,030		$ (4,030)	
School Energy Conservation Note	6.16%	01/15/93	01/15/03	188,806		$(60,349)	128,457
Total				$192,836	$5,780,399	$(64,379)	$5,908,856

D. Principal and interest requirements to retire general obligation bonds and energy conservation notes outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30	General Obligation Term & Serial Bonds	Capital Appreciation General Obligation Bonds	Energy Conservation Notes	Total
2002	$ 228,234		$ 71,064	$ 299,298
2003	433,467		67,264	500,731
2004	432,708			432,708
2005	436,510			436,510
2006	434,685			434,685
2007 - 2011	2,179,622			2,179,622
2012 - 2016	1,644,448	$ 530,000		2,174,448
2017 - 2021	2,175,360			2,175,360
2022 - 2023	1,297,570			1,297,570
Total Obligation	9,262,604	530,000	138,328	9,930,932
Less: Interest	(3,677,604)	(334,601)	(9,871)	(4,022,076)
Total Principal	$ 5,585,000	$ 195,399	$128,457	$ 5,908,856

E. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	Balance July 1, 2000	Increase	Decrease	Balance June 30, 2001
Compensated Absences	$358,574		$ (14,770)	$ 343,804
Asbestos Removal Loan	4,030		(4,030)	
Energy Conservation Notes	188,806		(60,349)	128,457
Pension Obligation	39,677	$ 53,122	(39,677)	53,122
General Obligation Bonds:				
Current Interest		5,585,000		5,585,000
Capital Appreciation		195,399		195,399
Total General Obligation Bonds		5,780,399		5,780,399
Total	$591,087	$5,833,521	$(118,826)	$6,305,782

F. Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of a school 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 code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2001 are a voted debt margin of $6,511,137 (including available funds of $5,907,453), an unvoted debt margin of $70,934, and an unvoted energy conservation debt margin of $509,951.

11. RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2001, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a $1 million per occurrence/$5 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2000.

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association, whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of $100,000 and aggregate claims in excess of 120 percent of expected claims.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

OSBA Workers' Compensation Group Rating

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of food service and uniform supply sales. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenue	$190,394	$37,398	$227,792
Depreciation Expense	2,009		2,009
Operating Income (Loss)	(120,583)	9,216	(111,367)
Non-operating Revenue:			
Operating Grants	76,068		76,068
Donated Federal Commodities	32,846		32,846
Net Income (Loss)	(4,626)	9,216	4,590
Net Working Capital	96,256	27,045	123,301
Fixed Assets:			
Additions	1,033		1,033
Total Assets	150,264	27,045	177,309
Long-Term Liabilities			
Payable from Fund Revenues	7,515		7,515
Total Fund Equity	109,475	27,045	136,520
Encumbrances outstanding as of 6/30/01	9,920		9,920

13. 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 basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were $116,747, $115,983, and $111,437, respectively; 39 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. $71,664, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent 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 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were $483,327, $498,397, and $449,012, respectively; 85 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. $73,896, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. 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 reimbursement of monthly Medicare 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 are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $155,355 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was $3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were $283.137 million and there were 99,011 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 8.45 percent for fiscal 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at $12,400. For the District, the amount to fund health care benefits, including the surcharge, equaled $85,639 during the 2001 fiscal year. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were $140.7 million and the target level was $211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of $252.3 million and there were approximately 50,000 participants receiving health care benefits.

15. BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

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

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
Budget Basis	$(658,063)	$(64,483)	$ 206,051	$ 12,013,402
Net Adjustment for Revenue Accruals	(368,032)	(3,430)	(11,547)	(12,899)
Net Adjustment for Expenditure Accruals	28,765	(14,295)	(89,170)	(154,150)
Net Adjustment for Other Financing Sources/(Uses)	26,146	(19,379)	79,909	(5,779,000)
Adjustment for Encumbrances	184,970	47,208		11,881
GAAP Basis	$(786,214)	$(54,479)	$ 185,283	$ 6,079,234

16. CONTINGENT LIABILITIES

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. School Funding Decision

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

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education:		
Nutrition Cluster:		
Food Distribution Program		10.550
National School Breakfast Program	045385 05-PU	10.553
National School Lunch Program	045385 LL-P1, LL-P4	10.555
Special Milk Program	045385 02-PU	10.556
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education:		
Special Education Cluster:		
Special Education Grants to States (IDEA Part B)	045385 6B-SF	84.027
Special Education - Preschool Grant	045385 PG-S1	84.173
Total Special Education Cluster		
Migrant Education Basic State Grant program	045385 MG-S1	84.011
Eisenhower Professional Development	045385 MS-S1	84.281
Grants to Local Educational Agencies (ESEA Title I)	045385 C1-S1	84.010
Safe and Drug Free Schools and Community	045385 DR-S1	84.186
Innovative Educational Program Strategies	045385 C2-S1	84.298
Title IV-R Class Size Reduction	045385 CR-S1	84.340
Total Department of Education		
UNITED STATES CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Passed Through Ohio Department of Education:		
Learn & Serve America School and Community Based		94.004
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities		
Medical Assistance Program - Community Alternative Funding System		93.778
Totals		

The accompanying notes are an integral part of this schedule.

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
	$29,603		$32,197
$1,401		$1,401	
78,033		78,033	
1,345		1,345	
80,779	29,603	80,779	32,197
76,024		76,024	
3,795		3,835	
79,819		79,859	
68,150		71,177	
4,387		6,578	
71,797		95,245	
4,658		2,293	
4,627		8,645	
25,871		25,871	
259,309		289,668	
		31	
2,070		2,070	
$342,158	**$29,603**	**$372,548**	**$32,197**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

Gibsonburg Exempted Village School District
Sandusky County
300 South Harrison Street
Gibsonburg, Ohio 43431-1256

To the Board of Education:

We have audited the financial statements of Gibsonburg Exempted Village School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 20, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Gibsonburg Exempted Village School District in a separate letter dated December 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Gibsonburg Exempted Village School District in a separate letter dated December 20, 2001.

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

Jim Petro
Auditor of State

December 20, 2001

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

Gibsonburg Exempted Village School District
Sandusky County
300 South Harrison Street
Gibsonburg, Ohio 43431-1256

To the Board of Education:

Compliance

We have audited the compliance of Gibsonburg Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 20, 2001

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Nutrition Cluster: Food Distribution CFDA #10.550; Breakfast Program CFDA #10.553; National School Lunch Program CFDA #10.555; Special Milk Program for Children CFDA #10.556
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 10, 2002