GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) – All Governmental Fund Types	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Balance – All Proprietary and Similar Fiduciary Fund Types	14
Combined Statement of Cash Flows – All Proprietary and Similar Fiduciary Fund Types	15
Notes to the General-Purpose Financial Statements	17
Schedule of Federal Awards Expenditures	44
Notes to the Schedule of Federal Awards Expenditures	46
Independent Accountants' Report on Compliance and on Internal Control Required by *Government Auditing Standards*	47
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with *OMB Circular A-133*	49
Schedule of Findings	51
Schedule of Prior Audit Findings	53

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Gibsonburg Exempted Village School District
Sandusky County
301 South Sunset Avenue
Gibsonburg, Ohio 43431-1264

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Gibsonburg Exempted Village School District, Sandusky County, (the District) as of and for the year ended June 30, 2003, 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, 2003, 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 17, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

The accompanying federal awards expenditures schedule 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. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Betty Montgomery
Auditor of State

December 17, 2003

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GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	$ 2,673,632	$ 324,679	$ 388,844	$ 11,611,841
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	1,944,461	33,479	480,220	41,884
Accounts	3,782	2,734	-	-
Accrued interest	11,492	-	-	-
Interfund loan receivable	118,436	-	-	-
Due from other governments	-	116,366	-	863,181
Materials and supplies inventory	-	-	-	-
Prepayments	21,373	-	-	125
Restricted assets:				
Equity in pooled cash and cash equivalents	443,096	-	-	-
Cash and cash equivalents with escrow agents	-	-	-	819,657
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	**$ 5,216,272**	**$ 477,258**	**$ 869,064**	**$ 13,336,688**

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$ 164,902	$ 48,707	$ -	$ -	$ 15,212,605
-	61,755	-	-	61,755
-	-	-	-	2,500,044
308	-	-	-	6,824
-	-	-	-	11,492
-	-	-	-	118,436
-	-	-	-	979,547
4,854	-	-	-	4,854
-	-	-	-	21,498
-	-	-	-	443,096
-	-	-	-	819,657
24,722	-	17,786,432	-	17,811,154
-	-	-	514,705	514,705
-	-	-	5,405,473	5,405,473
$ 194,786	**$ 110,462**	**$ 17,786,432**	**$ 5,920,178**	**$ 43,911,140**

(Continued)

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003
(Continued)

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	$ 30,097	$ 2,054	$ -	$ 4,752
Accrued wages and benefits	583,771	29,773	-	-
Compensated absences payable	17,350	-	-	-
Pension obligation payable	97,488	13,376	-	-
Interfund loan payable	-	116,366	-	-
Deferred revenue	1,434,968	24,703	354,359	774,625
Due to other governments	30,451	3,054	-	15
Due to students	-	-	-	-
Liabilities payable from restricted assets:				
Retainage payable	-	-	-	819,657
General obligation bonds payable	-	-	-	-
Total liabilities	2,194,125	189,326	354,359	1,599,049
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	126,652	28,839	-	7,908,207
Reserved for prepayments	21,373	-	-	125
Reserved for bus purchase allowance	43,348	-	-	-
Reserved for tax revenue unavailable for appropriation	509,493	8,776	125,861	10,975
Reserved for budget stabilization	29,274	-	-	-
Reserved for instructional materials	370,474	-	-	-
Reserved for debt service	-	-	388,844	-
Reserved for principal endowment	-	-	-	-
Unreserved-undesignated	1,921,533	250,317	-	3,818,332
Total equity and other credits	3,022,147	287,932	514,705	11,737,639
Total liabilities, equity and other credits	**$ 5,216,272**	**$ 477,258**	**$ 869,064**	**$ 13,336,688**

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)
$ 90	$ -	$ -	$ -	$ 36,993
20,720	-	-	-	634,264
14,834	-	-	336,653	368,837
12,852	-	-	49,699	173,415
1,539	531	-	-	118,436
-	-	-	-	2,588,655
796	-	-	-	34,316
-	44,733	-	-	44,733
-	-	-	-	819,657
-	-	-	5,533,826	5,533,826
50,831	45,264	-	5,920,178	10,353,132
-	-	17,786,432	-	17,786,432
143,955	8,712	-	-	152,667
-	588	-	-	8,064,286
-	-	-	-	21,498
-	-	-	-	43,348
-	-	-	-	655,105
-	-	-	-	29,274
-	-	-	-	370,474
-	-	-	-	388,844
-	53,043	-	-	53,043
-	2,855	-	-	5,993,037
143,955	65,198	17,786,432	-	33,558,008
$ 194,786	**$ 110,462**	**$ 17,786,432**	**$ 5,920,178**	**$ 43,911,140**

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 FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types	
	General	**Special Revenue**
Revenues:		
From local sources:		
Taxes	$ 1,913,884	$ 32,636
Tuition	30,455	-
Earnings on investments	30,474	351
Extracurricular	-	96,480
Other local revenues	26,482	26,060
Intergovernmental - State	4,970,994	150,166
Intergovernmental - Federal	2,916	448,066
Total revenues	6,975,205	753,759
Expenditures:		
Current:		
Instruction:		
Regular	3,381,313	99,229
Special	456,959	308,670
Vocational	101,719	-
Other	15,080	-
Support services:		
Pupil	251,594	76,941
Instructional staff	149,368	37,654
Board of Education	61,813	-
Administration	820,032	60,025
Fiscal	186,048	658
Business	6,009	-
Operations and maintenance	552,484	11,525
Pupil transportation	420,727	909
Central	1,958	8,351
Community services	74,279	2,138
Extracurricular activities	149,251	109,313
Facilities acquisition and construction	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	6,628,634	715,413
Excess of revenues over expenditures	346,571	38,346
Other financing sources (uses):		
Operating transfers out	(208,013)	-
Operating transfers in	-	-
Proceeds from sale of fixed assets	14,720	-
Total other financing sources (uses)	(193,293)	-
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	153,278	38,346
Fund balances (restated), July 1	2,868,869	249,586
Fund balances, June 30	**$ 3,022,147**	**$ 287,932**

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)
	$ 510,050	$ 6,478	$ -	$ 2,463,048
	-	-	-	30,455
	7,840	267,773	41	306,479
	-	-	-	96,480
	-	-	3,924	56,466
	55,161	13,233,343	-	18,409,664
	-	-	-	450,982
	573,051	13,507,594	3,965	21,813,574
	-	4,315	-	3,484,857
	-	-	-	765,629
	-	-	-	101,719
	-	-	2,000	17,080
	-	-	-	328,535
	-	-	-	187,022
	-	-	-	61,813
	-	-	-	880,057
	9,246	873	-	196,825
	-	-	-	6,009
	-	4,400	-	568,409
	-	-	-	421,636
	-	12,079	-	22,388
	-	-	1,855	78,272
	-	-	-	258,564
	-	12,510,416	-	12,510,416
	244,334	-	-	244,334
	257,288	-	-	257,288
	510,868	12,532,083	3,855	20,390,853
	62,183	975,511	110	1,422,721
	-	-	-	(208,013)
	-	208,013	-	208,013
	-	-	-	14,720
	-	208,013	-	14,720
	62,183	1,183,524	110	1,437,441
	452,522	10,554,115	3,333	14,128,425
	$ 514,705	**$ 11,737,639**	**$ 3,443**	**$ 15,565,866**

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 FISCAL YEAR ENDED JUNE 30, 2003

	General		
	Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
From local sources:			
Taxes	$ 1,824,757	$ 1,839,306	$ 14,549
Tuition	28,500	30,075	1,575
Earnings on investments	77,362	75,962	(1,400)
Extracurricular	-	-	-
Other local revenues	32,000	34,971	2,971
Intergovernmental - State	4,680,778	4,970,994	290,216
Intergovernmental - Federal	4,000	2,916	(1,084)
Total revenues	6,647,397	6,954,224	306,827
Expenditures:			
Current:			
Instruction:			
Regular	4,095,296	3,397,075	698,221
Special	656,412	454,390	202,022
Vocational	120,757	99,367	21,390
Other	24,000	15,080	8,920
Support services:			
Pupil	362,488	249,691	112,797
Instructional staff	210,167	160,644	49,523
Board of Education	113,078	90,669	22,409
Administration	903,551	807,811	95,740
Fiscal	205,142	191,213	13,929
Business	7,500	6,009	1,491
Operations and maintenance	1,249,782	606,325	643,457
Pupil transportation	443,799	427,789	16,010
Central	2,330	1,958	372
Community services	101,287	70,652	30,635
Extracurricular activities	169,438	150,172	19,266
Facilities acquisition and construction	2,500	-	2,500
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	8,667,527	6,728,845	1,938,682
Excess of revenues over (under) expenditures	(2,020,130)	225,379	2,245,509
Other financing sources (uses):			
Advances in	31,480	31,488	8
Advances out	-	(118,436)	(118,436)
Operating transfers in	473,013	473,500	487
Operating transfers out	(681,513)	(681,513)	-
Proceeds from sale of fixed assets	8,500	14,710	6,210
Refund of prior year's receipts	-	-	-
Refund of prior year expenditure	1,000	-	(1,000)
Total other financing sources (uses)	(167,520)	(280,251)	(112,731)
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(2,187,650)	(54,872)	2,132,778
Fund balances, July 1	2,836,436	2,836,436	-
Prior year encumbrances appropriated	227,849	227,849	-
Fund balances, June 30	**$ 876,635**	**$ 3,009,413**	**$ 2,132,778**

Special Revenue			Debt Service		
Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**	**Budget Revised**	**Actual**	**Variance: Favorable (Unfavorable)**
$ 31,273	$ 31,435	$ 162	$ 510,356	$ 513,036	$ 2,680
-	-	-	-	-	-
845	351	(494)	6,900	7,840	940
93,361	93,920	559	-	-	-
21,575	25,885	4,310	-	-	-
146,213	150,166	3,953	1	55,162	55,161
471,067	356,141	(114,926)	-	-	-
764,334	657,898	(106,436)	517,257	576,038	58,781
148,624	109,663	38,961	-	-	-
379,051	306,851	72,200	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
90,810	78,241	12,569	-	-	-
48,402	41,888	6,514	-	-	-
-	-	-	-	-	-
60,203	60,203	-	-	-	-
702	658	44	9,440	9,248	192
-	-	-	-	-	-
16,455	12,784	3,671	-	-	-
2,661	1,729	932	-	-	-
3,250	855	2,395	-	-	-
7,191	4,812	2,379	-	-	-
138,061	119,195	18,866	-	-	-
-	-	-	-	-	-
-	-	-	244,334	244,334	-
-	-	-	277,288	257,288	20,000
895,410	736,879	158,531	531,062	510,870	20,192
(131,076)	(78,981)	52,095	(13,805)	65,168	78,973
-	116,366	116,366	-	-	-
-	(29,288)	(29,288)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(15,983)	(15,983)	-	-	-	-
-	-	-	-	-	-
(15,983)	71,095	87,078	-	-	-
(147,059)	(7,886)	139,173	(13,805)	65,168	78,973
271,980	271,980	-	323,676	323,676	-
30,926	30,926	-	-	-	-
$ 155,847	**$ 295,020**	**$ 139,173**	**$ 309,871**	**$ 388,844**	**$ 78,973**

(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 FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	Capital Projects		
	Budget Revised	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
From local sources:			
Taxes	$ 5,111	$ 5,381	$ 270
Tuition	-	-	-
Earnings on investments	251,825	267,774	15,949
Extracurricular	-	-	-
Other local revenues	-	-	-
Intergovernmental - State	12,892,415	13,113,878	221,463
Intergovernmental - Federal	-	-	-
Total revenues	13,149,351	13,387,033	237,682
Expenditures:			
Current:			
Instruction:			
Regular	4,300	4,300	-
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support services:			
Pupil	-	-	-
Instructional staff	-	-	-
Board of Education	-	-	-
Administration	-	-	-
Fiscal	1,500	873	627
Business	-	-	-
Operations and maintenance	21,400	4,400	17,000
Pupil transportation	-	-	-
Central	14,699	14,699	-
Community services	-	-	-
Extracurricular activities	-	-	-
Facilities acquisition and construction	21,568,552	19,597,114	1,971,438
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	21,610,451	19,621,386	1,989,065
Excess of revenues over (under) expenditures	(8,461,100)	(6,234,353)	2,226,747
Other financing sources (uses):			
Advances in	-	-	-
Advances out	-	-	-
Operating transfers in	208,013	208,013	-
Operating transfers out	-	-	-
Proceeds from sale of fixed assets	-	-	-
Refund of prior year's receipts	-	-	-
Refund of prior year expenditure	-	-	-
Total other financing sources (uses)	208,013	208,013	-
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(8,253,087)	(6,026,340)	2,226,747
Fund balances, July 1	10,541,748	10,541,748	-
Prior year encumbrances appropriated	3,132	3,132	-
Fund balances, June 30	**$ 2,291,793**	**$ 4,518,540**	**$ 2,226,747**

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

Total (Memorandum only)		
Budget Revised	**Actual**	**Variance: Favorable (Unfavorable)**
$ 2,371,497	$ 2,389,158	$ 17,661
28,500	30,075	1,575
336,932	351,927	14,995
93,361	93,920	559
53,575	60,856	7,281
17,719,407	18,290,200	570,793
475,067	359,057	(116,010)
21,078,339	21,575,193	496,854
4,248,220	3,511,038	737,182
1,035,463	761,241	274,222
120,757	99,367	21,390
24,000	15,080	8,920
453,298	327,932	125,366
258,569	202,532	56,037
113,078	90,669	22,409
963,754	868,014	95,740
216,784	201,992	14,792
7,500	6,009	1,491
1,287,637	623,509	664,128
446,460	429,518	16,942
20,279	17,512	2,767
108,478	75,464	33,014
307,499	269,367	38,132
21,571,052	19,597,114	1,973,938
244,334	244,334	-
277,288	257,288	20,000
31,704,450	27,597,980	4,106,470
(10,626,111)	(6,022,787)	4,603,324
31,480	147,854	116,374
-	(147,724)	(147,724)
681,026	681,513	487
(681,513)	(681,513)	-
8,500	14,710	6,210
(15,983)	(15,983)	-
1,000	-	(1,000)
24,510	(1,143)	(25,653)
(10,601,601)	(6,023,930)	4,577,671
13,973,840	13,973,840	-
261,907	261,907	-
$ 3,634,146	**$ 8,211,817**	**$ 4,577,671**

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 FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	**Nonexpendable Trust**	**Total (Memorandum Only)**
Operating revenues:			
Tuition and fees	$ 38,853	$ -	$ 38,853
Sales/charges for services	221,830	-	221,830
Investment earnings	-	1,180	1,180
Total operating revenues	260,683	1,180	261,863
Operating expenses:			
Personal services	199,881	-	199,881
Contract services	4,644	-	4,644
Materials and supplies	184,023	-	184,023
Depreciation	4,011	-	4,011
Other	947	8,400	9,347
Total operating expenses	393,506	8,400	401,906
Operating loss	(132,823)	(7,220)	(140,043)
Nonoperating revenues:			
Grants and subsidies	86,806	-	86,806
Federal commodities	39,368	-	39,368
Interest revenue	1,726	-	1,726
Total nonoperating revenues	127,900	-	127,900
Net loss	(4,923)	(7,220)	(12,143)
Retained earnings/fund balance, July 1	148,878	68,975	217,853
Retained earnings/fund balance, June 30	**$ 143,955**	**$ 61,755**	**$ 205,710**

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 FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees	$ 38,750	$ -	$ 38,750
Cash received from sales/service charges	221,830	-	221,830
Cash payments for personal services	(176,813)	-	(176,813)
Cash payments for contract services	(4,865)	-	(4,865)
Cash payments for materials and supplies	(147,826)	-	(147,826)
Cash payments for other expenses	(947)	(8,400)	(9,347)
Net cash used in operating activities	(69,871)	(8,400)	(78,271)
Cash flows from noncapital financing activities:			
Cash received from interfund loan	1,539	-	1,539
Cash payments for interfund loan	(2,200)	-	(2,200)
Cash received from grants and subsidies	96,880	-	96,880
Net cash provided by noncapital financing activities	96,219	-	96,219
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(10,008)	-	(10,008)
Net cash used in capital and related financing activities	(10,008)	-	(10,008)
Cash flows from investing activities:			
Interest received	1,726	1,180	2,906
Net cash provided by investing activities	1,726	1,180	2,906
Net increase (decrease) in cash and cash equivalents	18,066	(7,220)	10,846
Cash and cash equivalents at beginning of year	146,836	68,975	215,811
Cash and cash equivalents at end of year	**$ 164,902**	**$ 61,755**	**$ 226,657**

(Continued)

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	**Nonexpendable Trust**	**Total (Memorandum Only)**
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (132,823)	$ (7,220)	$ (140,043)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	4,011	-	4,011
Federal donated commodities	39,368	-	39,368
Interest reported as operating income	-	(1,180)	(1,180)
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	1,595	-	1,595
Increase in accounts receivable	(103)	-	(103)
Decrease in accounts payable	(372)	-	(372)
Increase in accrued wages and benefits	2,681	-	2,681
Increase in compensated absences payable	14,834	-	14,834
Increase in pension obligation payable	5,520	-	5,520
Increase in due to other governments	33	-	33
Decrease in deferred revenue	(4,615)	-	(4,615)
Net cash used in operating activities	**$ (69,871)**	**$ (8,400)**	**$ (78,271)**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Gibsonburg Exempted Village School District (the District) is located in Sandusky County, including all of the Village of Gibsonburg, Ohio, and portions of surrounding townships.

The District is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

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 §§ 3301.07 and 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 87 certified (including administrative) full-time and part-time employees to provide services to approximately 1,214 students in grades K through 12 and various community groups, which ranks it 439th out of approximately 740 public and community school districts in Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. 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". 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 Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC 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. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

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. The District paid $43,795 during fiscal year 2003 for natural gas. Financial information is available from the Erie Ottawa Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Centers

The Career Center 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.

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight school districts. The jointly governed organization 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. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of

Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are limited to its representation on the Board. The District paid $33,269 during fiscal year 2003 to NOECA. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOLS

Workers' Compensation

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

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

The San-Ott School Employees Welfare Benefit Association

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott Consortium, Jay Valasek, Treasurer of Vanguard-Sentinel Career Centers, at 1306 Cedar Street, Fremont, Ohio 43420.

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 - The 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 - The 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. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is 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 and expendable trust funds 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 and nonexpendable trust funds 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, 2003 but which are intended to finance fiscal 2004 operations have been recorded as deferred revenues.

Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC § 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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 and nonexpendable trust funds 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 donated commodities revenue.

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 2003 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 2003.

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 2003.

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 and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 11 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" and "Cash and Cash Equivalents with Escrow Agents" on the combined balance sheet.

During 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities 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 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, 2003.

By policy of the Board of Education, investment earnings are assigned to the general fund, debt service fund, permanent improvements fund, building fund, classroom maintenance fund, food service fund, special trust funds, endowment fund, district managed activity fund, and student managed activity fund. The general fund was credited more interest than would have been received based upon its share of the District's investments during fiscal 2003. The general fund received $30,474 in interest which includes $22,368 assigned from other funds. An analysis of the Treasurer's investment account at fiscal 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 benefiting from the advance payment. At fiscal year-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 is 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. 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)
Furniture, fixtures and minor equipment	8 - 20

I. 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.

J. 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.

K. 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, prepayments, bus purchase allowance, tax revenue unavailable for appropriation, budget stabilization, instructional materials, and debt service. 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 tax revenue unavailable for appropriation represents property 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.

L. 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 2003 is presented in Note 5.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Restricted assets also include monies received from the state that are restricted for school bus purchases. Fund balance reserves have also been established for instructional materials and budget stabilization (see Note 16). Restricted assets in the capital projects fund type represent resources set aside in an escrow account whose use is limited to the payment of retainage to contractors.

N. 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.

O. Memorandum Only - Total Columns

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. 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).

3. ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

In the prior year, tax revenue was overstated in the General Fund, Classroom Facilities special revenue fund, and the Permanent Improvement capital projects fund and understated in the debt service fund. A prior period adjustment will be made to properly state fund balance at June 30, 2002. The effect of this prior period adjustment is as follows:

	General	Special Revenue	Debt Service	Capital Projects
Fund balance as previously reported	$2,869,913	$253,620	$330,017	$10,671,542
Adjustment of tax revenue	(1,044)	(4,034)	122,505	(117,427)
Restated fund balance as of July 1, 2002	$2,868,869	$249,586	$452,522	$10,554,115
Excess of revenues and other financing sources over expenditures and other financing uses as previously reported	$332,159	$117,651	$129,094	$4,389,518
Adjustment	(1,044)	(4,034)	122,505	(117,427)
Restated excess of revenues and other financing sources over expenditures and other financing uses as of June 30, 2002	$331,115	$113,617	$251,599	$4,272,091

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	Deficit
Special Revenue Funds:	
Ohio Reads	$ 14
Safe and Drug Free Schools	36
EHA Preschool Grants for the Handicapped	29
Reducing Class Size	1,570
Capital Projects Fund:	
Video Distance Learning	15

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. These deficits are caused by the application of GAAP namely in the recording of a liability for accrued wages and benefits attributable for the fiscal year. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with state statue which does not allow for a negative fund balance at year-end.

C. Agency Funds

The following are accrual for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

ASSETS	
Accounts receivable	$875
LIABILITIES	
Accounts payable	606

D. Compliance

Contrary to Ohio Revised Code § 5705.39, appropriations exceeded estimated resources in the OSFC Building Fund at December 31, 2002.

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 $2,175 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 $13,682,949 and the bank balance was $14,000,148 (both amounts include $559,501 in non-negotiable certificates of deposit). Of the bank balance:

1. $200,000 was covered by federal depository insurance; and

2. $13,800,148 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to § 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District 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 2	Fair Value
Federal agency securities	$ 1,529,070	$ 1,529,070
Not subject to categorization:		
Investment in STAR Ohio	-	1,322,919
Total investments	$ 1,529,072	$ 2,851,989

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	$ 16,537,113	$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(1,322,919)	1,322,919
Federal agency securities	(1,529,070)	1,529,070
Cash on hand	(2,175)	-
GASB Statement No. 3	$ 13,682,949	$ 2,851,989

5. INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2003 consist of the following individual interfund loans receivable and payable:

	Interfund Loans	
	Receivable	Payable
General Fund	$ 118,436	$ -
Special Revenue Funds:		
Title I For Migrant Children	-	58,548
Title VI	-	3,739
Title I	-	46,911
Reducing Class Size	-	7,168
Enterprise Funds:		
Uniform School Supplies	-	1,539
Agency Fund:		
Student Managed Activities	-	531
Total	$ 118,436	$ 118,436

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

	Transfers In	Transfers Out
General Fund	$ -	$ 208,013
Capital Projects Fund:		
Building Fund	208,013	-
Total	$ 208,013	$ 208,013

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 percent 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 percent of market value and personal property is assessed at varying rates of true 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 percent 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 value upon which the 2003 taxes were collected was $71,631,560. Agricultural/residential and public utility/minerals real estate represented 80.22 percent or $57,459,920 of this total; Commercial & industrial real estate represented 7.85 percent or $5,625,540 of this total, public utility tangible represented 5.30 percent or $3,799,180 of this total and general tangible property represented 6.63 percent or $4,746,920 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was $43.60 per $1,000.00 of assessed valuation for operations, $1.00 per $1,000.00 of assessed valuation for permanent improvements, $7.00 per 1,000.00 of assessed valuation for debt service and $.5 per $1,000.00 of assessed valuation for capital maintenance.

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, 2003. 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, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled $509,493 in the general fund; $8,776 in the special revenue funds; $125,861 in the debt service fund; and $10,975 in the capital projects funds.

7. RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	$1,944,461
Accounts	3,782
Accrued interest	11,492
Interfund loans	118,436
Special Revenue Funds	
Taxes - current and delinquent	33,479
Accounts	2,734
Due from other governments	116,366
Debt Service Fund	
Taxes - current and delinquent	480,220
Capital Projects Funds	
Taxes - current and delinquent	41,884
Due from other governments	863,181
Enterprise Funds	
Accounts	308

8. FIXED ASSETS

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

	Balance 07/01/02	Additions	Deletions	Balance 06/30/03
Land/improvements	$ 769,426	$ -	$ -	$ 769,426
Buildings/improvements	2,493,325	-	2,245	2,491,080
Furniture/equipment	2,184,376	116,509	71,476	2,229,409
Vehicles	599,639	-	-	599,639
Construction in progress	229,146	11,467,732	-	11,696,878
Total	$ 6,275,912	$ 11,584,241	$ 73,721	$ 17,786,432

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	$ 69,095
Less: accumulated depreciation	(44,373)
Net fixed assets	$ 24,722

9. LONG-TERM DEBT

A. On June 1, 2001, 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 rate 8.587 percent,) at a redemption price equal to 100 percent of the principal. The capital appreciation bonds were issued at a price of $193,996. Total accreted interest of $34,830 has been included in the general long-term obligations account group at June 30, 2003.

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 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 debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the debt from operating revenues. The energy conservation notes were issued on January 15, 1993 and matured on January 15, 1993 and bore an interest rate of 6.16 percent.

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

Fiscal Year Ending June 30	Obligation Term and Serial Bonds	General Obligation Bonds	Total
2004	$ 429,609	$ -	$ 429,609
2005	433,097	-	433,097
2006	430,985	-	430,985
2007	433,243	-	433,243
2008	429,900	-	429,900
2009 - 2013	1,892,360	265,000	2,157,360
2014 - 2018	1,885,350	265,000	2,150,350
2019 - 2023	2,127,076	-	2,127,076
2024	415,429	-	415,429
Total obligation	8,477,049	530,000	9,007,049
Less: interest	(3,172,049)	-	(3,172,049)
Total principal	5,305,000	530,000	5,835,000

D. During the year ended June 30, 2003, 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 07/01/02	Increase	Decrease	Balance 06/30/03
Compensated absences	$ 343,415	$ 35,249	$ 42,011	$ 336,653
Energy conservation note	64,334	-	64,334	-
General obligation bonds:				
Current interest	5,485,000	-	180,000	5,305,000
Capital appreciation	210,373	18,453	-	228,826
Pension obligation	50,466	49,699	50,466	49,699
Total	$ 6,153,588	$ 103,401	$ 336,811	$ 5,920,178

E. Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of a school district shall never exceed 9 percent of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent 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 percent of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2003 are a voted debt margin of $1,427,719 (including available funds of $514,705) unvoted debt margin of $71,632, and an unvoted energy conservation debt margin of $644,684.

10. RISK MANAGEMENT

A. Comprehensive

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 2003, The District purchased from Securance Service Inc. (through the Indiana Insurance Company) general liability, fleet and property/ casualty insurance, which carried a $1 million per occurrence/$5 million annual aggregate limitation.

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 2002.

B. Group Health Insurance

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.

C. Workers' Compensation

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

11. 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, 2003.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating revenue	$ 219,990	$ 40,693	$ 260,683
Depreciation expense	4,011	-	4,011
Operating income/(loss)	(145,456)	12,633	(132,823)
Non-operating revenue:			
Grants and subsidies	86,806	-	86,806
Federal commodities	39,368	-	39,368
Investment revenue	1,726	-	1,726
Net income/(loss)	(17,556)	12,633	(4,923)
Net working capital	91,493	47,626	139,119
Total assets	145,621	49,165	194,786
Total liabilities	49,292	1,539	50,831
Total fund equity	96,329	47,626	143,955
Encumbrances outstanding as of 6/30/03	11,546	-	11,546

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were $67,566, $43,377, and $35,024, respectively; 40.08 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. $40,484 represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers

Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were $506,271, $348,987, and $327,972, respectively; 83.53 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. $83,371 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

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

13. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled $38,944 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was $3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were $354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 5.83 percent of covered payroll. 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 2003, the minimum pay has been established at $12,400. 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, 2002 (the latest information available) were $182.947 million and the target level was $274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of $335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $59,644 during the 2003 fiscal year.

14. 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 Comparison - 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 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	$ (54,872)	$ (7,886)	$ 65,168	$(6,026,340)
Net adjustment for revenue accruals	20,981	95,861	(2,985)	120,561
Net adjustment for expenditure accruals	(63,508)	(8,193)	-	(823,656)
Net adjustment for other financing sources/(uses)	86,958	(71,095)	-	-
Adjustment for encumbrances	163,719	29,659	-	7,912,959
GAAP basis	$ 153,278	$ 38,346	$ 62,183	$ 1,183,524

15. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2003.

B. School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

16. 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, 2003, the reserve activity was as follows:

	Instructional Materials	Capital Maintenance	Budget Stabilization
Balance July 1, 2002	$ 241,201	$ -	$ 29,274
Required set-aside	153,562	153,562	-
Offsets	-	(35,356)	-
Qualifying expenditures	(24,289)	(11,468,038)	-
Balance June 30, 2003	$ 370,474	$ (11,349,832)	$ 29,274
Carried forward to FY 04	$ 370,474	$ -	$ 29,274

The reserve for Budget Stabilization represents Bureau of Workers' Compensation refunds that were received prior to April 10, 2002, and have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required to maintain a textbook and capital maintenance set-aside.

The District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amounts below zero. This extra amount may not be carried forward to reduce the set-aside requirements of future years.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of restricted assets at June 30, 2003, follows:

Amount restricted for school bus purchases	$ 43,348
Amount restricted for textbooks	370,474
Amount restricted for budget stabilization	29,274
Total	$ 443,096

17. CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District had the following contractual commitments outstanding related to construction of the new school facilities. A summary of the primary contractual commitments follows.

	Total Contract	Amount Paid	Remaining Commitment at 06/30/03
Brooks Construction	$ 6,173,720	$ 3,671,490	$ 2,502,230
Breckenridge	169,247	68,518	100,729
Industrial power systems	1,750,339	1,477,260	273,079
Alltek	490,000	287,755	202,245
Border Fire	175,870	106,972	68,898
Regent Electric	1,534,806	874,702	660,104
R L Smith	776,440	553,230	223,210
Farnham	409,700	-	409,700
Vaughn Tech	635,630	-	635,630
Unillance Excav	54,500	-	54,500
Mosser Construction	3,581,525	1,869,115	1,712,410
ARCO	106,207	61,449	44,758
Industrial Power Systems	1,171,870	731,726	440,144
Dimech	395,690	181,562	214,128
SA Communale	114,530	55,719	58,811
Bodie Electric	790,901	346,423	444,478
Mid West Environmental	20,500	-	20,500

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GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education:		
Nutrition Cluster:		
Food Distribution Program		10.550
National School Breakfast Program	05PU 2002	10.553
National School Lunch Program	LLP4 2002	10.555
	LLP4 2003	
Special Milk Program for Children	02PU 2002	10.556
	02PU 2003	
Total U.S. Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF JOBS AND FAMILY SERVICES		
Passed through the Ohio Department of Mental Retardation and Developmental Disabilities		
Medical Assistant Program		93.778
Total Department of Jobs and Family Services		
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education:		
Special Education Cluster:		
Special Education Grants to States (IDEA Part B)	6BSF 2002P	84.027
	6BSF 2003P	
Special Education - Preschool Grant		84.173
Total Special Education Cluster		
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2002	84.010
	C1S1-2003	
Migrant Education State Grant Programs	MGS1 1999	84.011
	MGS1 2000	
	MGS1 2001	
	MGS1 2002	
	MGS1 2003	
Eisenhower Professional Development State Grant	MSS1 1999	84.281
	MSS1 2000	
	MSS1 2002	
Innovative Educational Program	C2S1 1999	84.298
	C2S1 2002	
	C2S1 2003	
Education Technology State Grants	TJS1 2002	84.318
	TJS1 2003	
Drug-Free Schools Grant	DRS1 2002	84.186
	DRS1 2003	
School Renovation Grant	ATS3 2002	84.352A
Improving Teacher Quality State Grant	TRS1 2003	84.367
Total Department of Education		
Total Federal Award Expenditures		

The accompanying notes are an integral part of this schedule.

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
$ -	$ 39,368	$ -	$ 39,368
1,000	-	1,000	-
24,179	-	24,179	-
66,855	-	66,855	-
395	-	395	-
981	-	981	-
93,410	**39,368**	**93,410**	**39,368**
2,916	-	2,916	-
2,916	**-**	**2,916**	**-**
1,440	-		
115,081	-	115,081	-
	-		-
4,051		4,051	-
120,572	**-**	**119,132**	**-**
23,242	-	47,891	-
130,305	-	138,229	-
-			
-	-	2,893	-
-	-	944	-
-	-	307	-
-	-	57,009	-
12,852	-	22,807	-
-	-	24	-
-	-	534	-
110	-	6,754	-
-	-	15	-
1,476	-	6,204	-
5,408	-		-
-	-	1,064	-
4,852	-	4,852	-
493	-	1,908	-
6,773	-	6,066	-
1,064	-		-
50,059	-	50,482	-
357,206	-	**467,115**	-
$ 453,532	**$ 39,368**	**$ 563,441**	**$ 39,368**

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003

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 - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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.

Auditor of State
Betty Montgomery

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

Gibsonburg Exempted Village School District
Sandusky County
301 South Sunset Avenue
Gibsonburg, Ohio 43431-1264

To the Board of Education:

We have audited the financial statements of the Gibsonburg Exempted Village School District, Sandusky County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 17, 2003. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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.

Betty Montgomery

Betty Montgomery
Auditor of State

December 17, 2003

INDEPENDENT ACCOUNTANTS' REPORT 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
301 South Sunset Avenue
Gibsonburg, Ohio 43431-1264

To the Board of Education:

Compliance

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

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

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

Internal Control over Compliance

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

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

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. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2003.

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.

Betty Montgomery

Betty Montgomery
Auditor of State

December 17, 2003

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

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

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)?**	Yes
(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):**	Grants to Local Education Agencies (ESEA Title I) CFDA # 84.010
(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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.39 states the total appropriation from each fund should not exceed the total estimated resources. As of December 31, 2002, Appropriations ($19,941,020) exceeded estimated resources ($15,168,556) in the OSFC Building Fund (010) by $4,772,464. This deficiency was not corrected until June of 2003. Appropriating in excess of estimated resources could result in deficit spending. We recommend the Board review their amended certificates and keep their appropriations within the total estimated resources.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2002-10172-001	Various Ohio Revised Code sections dealing with voting on and awarding a contract to a company that a Board member works for.	Yes	Corrected. Since the date of our last audit, the Board member abstained from voting in contracts involving Mosser Construction.

Auditor of State
Betty Montgomery

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

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 15, 2004