



**Auditor of State  
Betty Montgomery**



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, Ohio, as of June 30, 2004, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As described in Note 8, during the year ended June 30, 2004, the District changed its capital asset threshold policy.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

March 31, 2005

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

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

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$685,624 which represents a 2.75 percent increase from 2003.
- General revenues accounted for \$8,061,274 in revenue or 87.41 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,160,954 or 12.59 percent of total revenues of \$9,222,228.
- The District had \$8,536,604 in expenses related to governmental activities; \$1,160,954 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,061,274 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$7,232,681 in revenues and other financing sources and \$7,042,483 in expenditures. The general fund's fund balance increased \$190,198 from \$3,028,031 to \$3,218,229.
- Another of the District's major governmental funds is the debt service fund. The debt service fund had \$584,502 in revenues and \$519,834 in expenditures. The debt service fund's fund balance increased \$64,668 from \$514,705 to \$579,373.
- The District's other major governmental fund is the classroom facilities fund. The classroom facilities fund had \$961,409 in revenues and \$10,913,261 in expenditures. The classroom facilities fund's fund balance decreased \$9,951,852 from \$10,682,483 to \$730,631, due to the completion of the school facilities project.

**Using these Basic Financial Statements**

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

significant fund, and is reported as a major fund. Other major funds include the debt service fund and classroom facilities fund.

**Reporting the District as a Whole**

Statement of Net Assets and the Statement of Activities

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

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

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

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

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and classroom facilities fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

<b>Net Assets</b>	Governmental Activities 2004
<b>Assets</b>	
Current and other assets	\$ 8,888,038
Capital assets, net	<u>25,958,177</u>
<i>Total assets</i>	<u>34,846,215</u>
<b>Liabilities</b>	
Current liabilities	2,920,139
Long-term liabilities	<u>6,377,935</u>
<i>Total liabilities</i>	<u>9,298,074</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	20,065,181
Restricted	2,810,457
Unrestricted	<u>2,672,503</u>
<i>Total net assets</i>	<u>\$ 25,548,141</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$25,548,141. Of this total, \$2,672,503 is unrestricted in use.

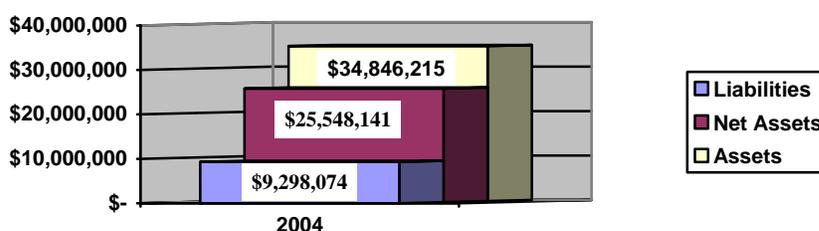
**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

At year-end, capital assets represented 74.49 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$20,065,181. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,810,457, represents resources that are subject to external restriction on how they may be used. The restrictions are for capital projects, debt service, and other purposes. The remaining balance of unrestricted net assets of \$2,672,503 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



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

**Change in Net Assets**

	Governmental Activities 2004
<b>Revenues</b>	
Program revenues:	
Charges for services and sales	\$ 392,922
Operating grants and contributions	738,332
Capital grants and contributions	29,700
General revenues:	
Property taxes	2,360,611
Grants and entitlements	5,517,217
Investment earnings	153,198
Other	30,248
<i>Total revenues</i>	<u>9,222,228</u>

(Continued)

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

<b>Change in Net Assets (Continued)</b>	
	Governmental Activities 2004
<b>Expenses</b>	
Program expenses:	
Instruction:	
Regular	\$ 3,657,154
Special	778,321
Vocational	149,030
Other	7,169
Support services:	
Pupil	272,482
Instructional staff	193,895
Board of education	83,894
Administration	929,720
Fiscal	207,985
Business	6,079
Operations and maintenance	755,337
Pupil transportation	392,267
Central	414,963
Food service operations	94,509
Operations of non-instructional services	232,241
Extracurricular activities	69,312
Interest and fiscal charges	292,246
<i>Total expenses</i>	<u>8,536,604</u>
<i>Change in net assets</i>	<u>685,624</u>
<i>Ending Net Assets</i>	<u>\$ 25,548,141</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$685,624. Total governmental expenses of \$8,536,604 were offset by program revenues of \$1,160,954 and general revenues of \$8,061,274. Program revenues supported 13.60 percent of the total governmental expenses.

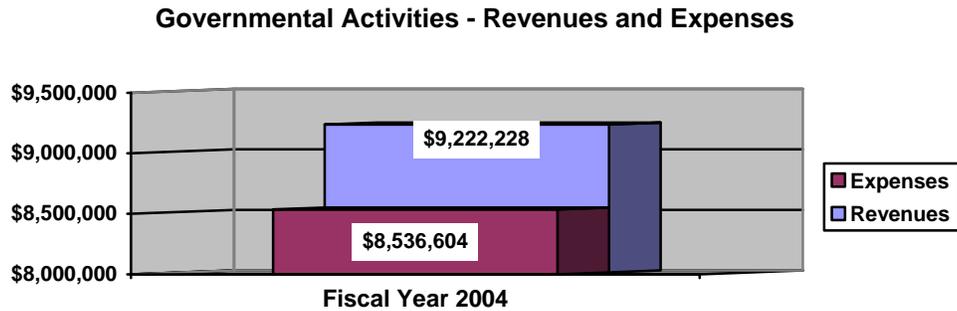
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 85.42 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,591,674 or 53.79 percent of total governmental expenses for fiscal 2004.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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



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

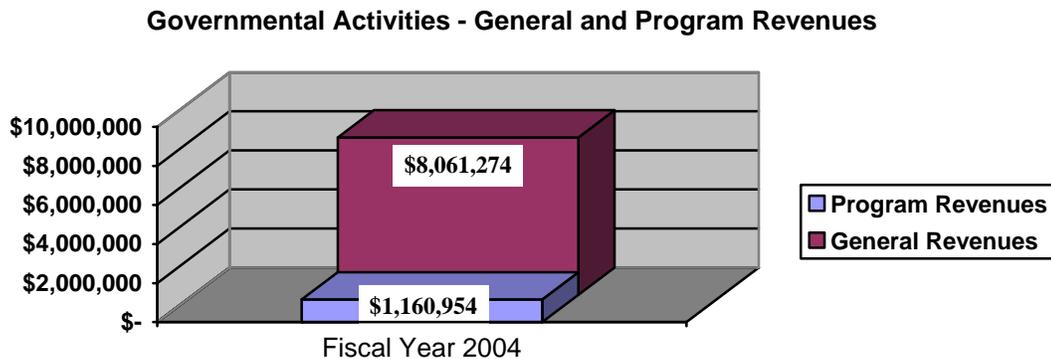
Governmental Activities		
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 3,657,154	\$ 3,483,146
Special	778,321	505,482
Vocational	149,030	149,030
Other	7,169	7,169
Support services:		
Pupil	272,482	169,885
Instructional staff	193,895	157,932
Board of education	83,894	83,894
Administration	929,720	874,011
Fiscal	207,985	207,985
Business	6,079	6,079
Operations and maintenance	755,337	744,414
Pupil transportation	392,267	390,173
Central	414,963	382,696
Operations of non-instructional services	94,509	85,405
Food service operations	232,241	(116,491)
Extracurricular activities	69,312	(47,406)
Interest and fiscal charges	292,246	292,246
<i>Total expenses</i>	<u>\$ 8,536,604</u>	<u>\$ 7,375,650</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

The dependence upon tax and other general revenues for governmental activities is apparent, 90.26 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.40 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

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



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$5,909,632, which is lower than last year's total of \$15,716,041. The June 30, 2003 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Restated Fund Balance June 30, 2003	Increase (Decrease)	Percentage Change
General	\$ 3,218,229	\$ 3,028,031	\$ 190,198	6.28 %
Debt Service	579,373	514,705	64,668	12.56 %
Classroom Facilities	730,631	10,682,483	(9,951,852)	(93.16) %
Other Governmental	1,381,399	1,490,822	(109,423)	(7.34) %
<i>Total</i>	<u>\$ 5,909,632</u>	<u>\$ 15,716,041</u>	<u>\$ (9,806,409)</u>	(62.40) %

General Fund

The District's general fund balance increased \$190,198 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A to the basic financial statements). The increase in fund balance can be attributed partially to an increase in state governmental revenues of \$292,365. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

	2004 Amount	2003 Amount	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Taxes	\$ 1,772,609	\$ 1,913,884	\$ (141,275)	(7.38) %
Tuition	29,331	30,455	(1,124)	(3.69) %
Earnings on investments	97,570	30,474	67,096	220.17 %
Intergovernmental	5,264,095	4,973,910	290,185	5.83 %
Other revenues	16,906	26,482	(9,576)	(36.16) %
<i>Total</i>	<u>\$ 7,180,511</u>	<u>\$ 6,975,205</u>	<u>\$ 205,306</u>	2.94 %
<b>Expenditures</b>				
Instruction	\$ 4,337,318	\$ 3,955,071	\$ 382,247	9.66 %
Support services	2,449,789	2,450,033	(244)	(0.01) %
Non-instructional services	94,520	74,279	20,241	27.25 %
Extracurricular activities	160,856	149,251	11,605	7.78 %
<i>Total</i>	<u>\$ 7,042,483</u>	<u>\$ 6,628,634</u>	<u>\$ 413,849</u>	6.24 %

The increase in earnings or investments is due to adjustments in fair market value of applicable investments.

Debt Service Fund

The debt service fund had \$584,502 in revenues and \$519,834 in expenditures. The debt service fund's fund balance increased from \$514,705 to \$579,373.

Classroom Facilities Fund

The classroom facilities fund had \$961,409 in revenues and \$10,913,261 in expenditures. The classroom facilities fund's fund balance decreased from \$10,682,483 to \$730,631. This significant decrease is due to the completion of the school facilities project.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,164,757 and final budgeted revenues and other financing sources were \$7,070,178. Actual revenues and other financing sources for fiscal 2004 was \$7,645,636. This represents a \$480,879 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$9,546,704 and final appropriations were \$9,642,523. The actual budget basis expenditures for fiscal year 2004 totaled \$7,515,442, which was \$2,127,081 less than the final budget appropriations. The

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

difference is due primarily to lower than expected instructional expenditures and less than anticipated expenditures for the new athletic building and bus purchase.

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal 2004, the District had \$25,958,177 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 8 to the basic financial statements for additional information. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	2004	2003
Land	\$ 769,542	\$ 769,426
Land improvements	2,290,116	27,961
Building and improvements	19,524,350	631,469
Furniture and equipment	1,504,916	835,741
Vehicles	257,676	299,108
Construction in progress	1,611,577	11,696,878
<i>Total</i>	<b>\$ 25,958,177</b>	<b>\$ 14,260,583</b>

The overall increase in capital assets of \$11,697,594 is due to the completion of the new high school and elementary school and athletic building. Buildings and improvements had a net increase of \$18,892,881, from a restated net balance in 2003 of \$631,469 to an ending net balance in 2004 of \$19,524,350.

Debt Administration

At June 30, 2004, the District had \$248,897 in capital appreciation bonds, \$5,120,000 in current interest bonds, and a \$579,000 Lease-Purchase Agreement. Of this total, \$255,000 is due within one year and \$5,640,996 is due within greater than one year. See Note 10 to the basic financial statements for additional information. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End		
	Governmental Activities 2004	Governmental Activities 2003
	Capital appreciation bonds	\$ 248,897
Current interest bonds	5,120,000	5,305,000
Lease-Purchase Agreement	579,000	-
<i>Total</i>	<b>\$ 5,947,897</b>	<b>\$ 5,533,826</b>

At June 30, 2004, the District's overall legal debt margin was \$2,721,671, and an unvoted debt margin of \$83,458.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**Current Financial Related Activities**

The District continues to maintain a high standard of service to our students, parents and the community of Gibsonburg.

The District has a positive financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast.

The District has communicated to its community they rely upon their support for the major part of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. The support of the community was last measured in November 2000 when the voters approved a 6.8 mill levy for new/renovated facilities with the Ohio School Facilities Commission. The District built a new 114,000 square foot middle/high school and completely renovated and doubled the size of the elementary school. Prior to that, the last operating levy was passed in August 1994 for 7.5 mills for a continuing period of time.

All of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the Board and administrative team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years, operating within the means of our budget.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Kerri L. Johnson, Gibsonburg Exempted Village School District, 301 South Sunset Avenue, Gibsonburg, Ohio 43431.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 6,187,149
Receivables:	
Taxes	2,571,325
Accounts	2,915
Intergovernmental	101,177
Prepayments	19,149
Materials and supplies inventory	6,323
Capital assets:	
Land	769,542
Construction in progress	1,611,577
Depreciable capital assets, net	23,577,058
<i>Capital assets, net</i>	<u>25,958,177</u>
<i>Total assets</i>	<u>34,846,215</u>
<b>Liabilities:</b>	
Accounts payable	7,674
Accrued wages and benefits	711,270
Pension obligation payable	186,400
Intergovernmental payable	38,382
Deferred revenue	1,936,237
Accrued interest payable	40,176
Long-term liabilities:	
Due within one year	286,915
Due in more than one year	6,091,020
<i>Total liabilities</i>	<u>9,298,074</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	20,065,181
Restricted for:	
Capital projects	1,694,570
Debt service	562,150
Other purposes	553,737
Unrestricted	2,672,503
<i>Total net assets</i>	<u><u>\$ 25,548,141</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular	\$ 3,657,154	\$ 68,534	\$ 105,474	\$ -	\$ (3,483,146)
Special	778,321	-	272,839	-	(505,482)
Vocational	149,030	-	-	-	(149,030)
Other	7,169	-	-	-	(7,169)
Support services:					
Pupil	272,482	-	102,597	-	(169,885)
Instructional staff	193,895	-	35,963	-	(157,932)
Board of education	83,894	-	-	-	(83,894)
Administration	929,720	-	55,709	-	(874,011)
Fiscal	207,985	-	-	-	(207,985)
Business	6,079	-	-	-	(6,079)
Operations and maintenance	755,337	-	10,923	-	(744,414)
Pupil transportation	392,267	-	2,094	-	(390,173)
Central	414,963	-	2,567	29,700	(382,696)
Operation of non-instructional services	94,509	-	9,104	-	(85,405)
Food service operations	232,241	225,776	122,956	-	116,491
Extracurricular activities	69,312	98,612	18,106	-	47,406
Interest and fiscal charges	292,246	-	-	-	(292,246)
<b>Total governmental activities</b>	<b>\$ 8,536,604</b>	<b>\$ 392,922</b>	<b>\$ 738,332</b>	<b>\$ 29,700</b>	<b>(7,375,650)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes					1,769,592
Special revenue					31,105
Debt service					519,604
Capital projects					40,310
Grants and entitlements not restricted to specific programs					5,517,217
Investment earnings					153,198
Miscellaneous					30,248
<b>Total general revenues</b>					<b>8,061,274</b>
<i>Change in net assets</i>					685,624
Net assets at beginning of year (restated).					24,862,517
<i>Net assets at end of year</i>					<b>\$ 25,548,141</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<b>General</b>	<b>Debt Service</b>	<b>Classroom Facilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 3,173,747	\$ 482,341	\$ 730,631	\$ 1,462,805	\$ 5,849,524
Receivables:					
Taxes	2,007,605	483,159	-	80,561	2,571,325
Accounts	496	-	-	2,419	2,915
Intergovernmental	-	-	-	101,177	101,177
Interfund receivable	85,523	-	-	-	85,523
Prepayments	19,149	-	-	-	19,149
Materials and supplies inventory	-	-	-	6,323	6,323
Restricted assets:					
Equity in pooled cash and cash equivalents	337,625	-	-	-	337,625
<b>Total assets</b>	<b>\$ 5,624,145</b>	<b>\$ 965,500</b>	<b>\$ 730,631</b>	<b>\$ 1,653,285</b>	<b>\$ 8,973,561</b>
<b>Liabilities:</b>					
Accounts payable	\$ 4,376	\$ -	\$ -	\$ 3,298	\$ 7,674
Accrued wages and benefits	642,937	-	-	68,333	711,270
Compensated absences payable	18,597	-	-	-	18,597
Pension obligation payable	101,534	-	-	17,223	118,757
Intergovernmental payable	33,499	-	-	4,883	38,382
Interfund payable	-	-	-	85,523	85,523
Deferred revenue	1,604,973	386,127	-	92,626	2,083,726
<b>Total liabilities</b>	<b>2,405,916</b>	<b>386,127</b>	<b>-</b>	<b>271,886</b>	<b>3,063,929</b>
<b>Fund Balances:</b>					
Reserved for encumbrances	203,670	-	406,012	285,573	895,255
Reserved for materials and supplies inventory	-	-	-	6,323	6,323
Reserved for prepayments	19,149	-	-	-	19,149
Reserved for property tax unavailable for appropriation	402,632	97,032	-	16,154	515,818
Reserved for budget stabilization	29,274	-	-	-	29,274
Reserved for bus purchase	43,546	-	-	-	43,546
Reserved for textbooks	264,805	-	-	-	264,805
Unreserved, undesignated, reported in:					
General fund	2,255,153	-	-	-	2,255,153
Special revenue funds	-	-	-	357,101	357,101
Debt service fund	-	482,341	-	-	482,341
Capital projects funds	-	-	324,619	716,248	1,040,867
<b>Total fund balances</b>	<b>3,218,229</b>	<b>579,373</b>	<b>730,631</b>	<b>1,381,399</b>	<b>5,909,632</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,624,145</b>	<b>\$ 965,500</b>	<b>\$ 730,631</b>	<b>\$ 1,653,285</b>	<b>\$ 8,973,561</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

<b>Total governmental fund balances</b>		<b>\$ 5,909,632</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,958,177
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 122,154	
Intergovernmental revenue	<u>25,335</u>	
		147,489
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(411,441)	
Pension obligation payable	(67,643)	
Capital Lease Payable	(579,000)	
General obligation bonds payable	(5,368,897)	
Accrued interest payable	<u>(40,176)</u>	
		<u>(6,467,157)</u>
<i>Net assets of governmental activities</i>		<u><u>\$ 25,548,141</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes	\$ 1,772,609	\$ 520,951	\$ -	\$ 71,401	\$ 2,364,961
Tuition	29,331	-	-	-	29,331
Charges for services	-	-	-	227,346	227,346
Earnings on investments	97,570	5,383	31,507	18,738	153,198
Extracurricular	-	-	-	98,612	98,612
Classroom materials and fees	-	-	-	40,975	40,975
Other local revenues	16,906	-	-	28,672	45,578
Intergovernmental - State	5,263,359	58,168	929,902	188,693	6,440,122
Intergovernmental - Federal	736	-	-	544,100	544,836
<i>Total revenue</i>	<u>7,180,511</u>	<u>584,502</u>	<u>961,409</u>	<u>1,218,537</u>	<u>9,944,959</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,713,232	-	-	132,925	3,846,157
Special	485,275	-	-	276,441	761,716
Vocational	131,642	-	-	2,962	134,604
Other	7,169	-	-	-	7,169
Support services:					
Pupil	228,148	-	-	102,934	331,082
Instructional staff	107,776	-	-	40,005	147,781
Board of education	83,894	-	-	-	83,894
Administration	832,018	-	-	59,720	891,738
Fiscal	195,176	9,920	-	1,608	206,704
Business	6,079	-	-	-	6,079
Operations and maintenance	668,545	-	-	30,042	698,587
Pupil transportation	325,815	-	-	2,477	328,292
Central	2,338	-	-	36,756	39,094
Food service operations	-	-	-	331,474	331,474
Other non-instructional services	94,520	-	-	10,459	104,979
Extracurricular activities	160,856	-	-	138,510	299,366
Facilities acquisition and construction	-	-	10,913,261	798,647	11,711,908
Debt service:					
Principal retirement	-	243,000	-	-	243,000
Interest and fiscal charges	-	266,914	-	-	266,914
<i>Total expenditures</i>	<u>7,042,483</u>	<u>519,834</u>	<u>10,913,261</u>	<u>1,964,960</u>	<u>20,440,538</u>
<i>Excess of revenues under expenditures</i>	<u>138,028</u>	<u>64,668</u>	<u>(9,951,852)</u>	<u>(746,423)</u>	<u>(10,495,579)</u>
<b>Other financing sources:</b>					
Proceeds from sale of capital assets	52,170	-	-	-	52,170
Proceeds from capital lease	-	-	-	637,000	637,000
<i>Total other financing sources</i>	<u>52,170</u>	<u>-</u>	<u>-</u>	<u>637,000</u>	<u>689,170</u>
<i>Net change in fund balances</i>	190,198	64,668	(9,951,852)	(109,423)	(9,806,409)
Fund balances at beginning of year (restated)	3,028,031	514,705	10,682,483	1,490,822	15,716,041
<i>Fund balances at end of year</i>	<u>\$ 3,218,229</u>	<u>\$ 579,373</u>	<u>\$ 730,631</u>	<u>\$ 1,381,399</u>	<u>\$ 5,909,632</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

**Net change in fund balances - total governmental funds** **\$ (9,806,409)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay, \$13,481,609 exceeds depreciation expense, \$507,183 in the current period. 12,974,426

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (1,276,832)

Premiums on capital leases are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (637,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (722,731)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 243,000

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds. (25,332)

Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (63,498)

*Change in net assets of governmental activities* \$ 685,624

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues:</b>				
From local sources:				
Taxes	\$ 1,754,599	\$ 1,730,040	\$ 1,879,470	\$ 149,430
Tuition	27,644	27,257	29,611	2,354
Earnings on investments	49,159	48,471	52,658	4,187
Other local revenues	11,253	11,095	12,053	958
Intergovernmental - State	4,913,666	4,844,889	5,263,359	418,470
Intergovernmental - Federal	687	677	736	59
<i>Total revenue</i>	<u>6,757,008</u>	<u>6,662,429</u>	<u>7,237,887</u>	<u>575,458</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,325,012	4,327,012	3,719,871	607,141
Special	1,014,679	1,014,679	481,271	533,408
Vocational	137,589	152,589	139,315	13,274
Other	20,000	20,000	7,169	12,831
Support services:				
Pupil	341,643	341,643	244,408	97,235
Instructional staff	205,858	206,858	113,041	93,817
Board of education	97,700	102,315	82,241	20,074
Administration	914,373	919,373	832,781	86,592
Fiscal	222,161	222,161	194,975	27,186
Business	7,500	7,500	6,101	1,399
Operations and maintenance	1,291,152	1,252,727	778,760	473,967
Pupil transportation	464,917	476,617	343,727	132,890
Central	2,750	2,750	2,338	412
Operation of non-instructional services	108,036	110,887	95,184	15,703
Extracurricular activities	164,050	170,565	159,413	11,152
<i>Total expenditures</i>	<u>9,317,420</u>	<u>9,327,676</u>	<u>7,200,595</u>	<u>2,127,081</u>
<i>Excess of revenues over (under) expenditures</i>	<u>(2,560,412)</u>	<u>(2,665,247)</u>	<u>37,292</u>	<u>2,702,539</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure	7,849	7,849	7,849	-
Transfers in	229,284	229,284	229,284	-
Transfers (out)	(229,284)	(229,284)	(229,284)	-
Advances in	118,436	118,436	118,436	-
Advances (out)	-	(85,563)	(85,563)	-
Proceeds from sale of capital assets	52,180	52,180	52,180	-
<i>Total other financing sources (uses)</i>	<u>178,465</u>	<u>92,902</u>	<u>92,902</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>(2,381,947)</u>	<u>(2,572,345)</u>	<u>130,194</u>	<u>2,702,539</u>
Fund balance at beginning of year	3,009,413	3,009,413	3,009,413	-
Prior year encumbrances appropriated	163,719	163,719	163,719	-
<i>Fund balance at end of year</i>	<u>\$ 791,185</u>	<u>\$ 600,787</u>	<u>\$ 3,303,326</u>	<u>\$ 2,702,539</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 63,093	\$ 43,853
<i>Total assets</i>	63,093	43,853
<b>Liabilities:</b>		
Due to students	-	43,853
<i>Total liabilities</i>	-	\$ 43,853
<b>Net Assets:</b>		
Held in trust for scholarships	63,093	
<i>Total net assets</i>	\$ 63,093	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest	\$ 810
Gifts and contributions	500
<i>Total additions and changes in net assets</i>	1,310
Net assets at beginning of year	61,783
<i>Net assets at end of year</i>	\$ 63,093

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

**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 middle/high school. The District employs 43 non-certified and 87 certified (including administrative) full-time and part-time employees to provide services to approximately 1,236 students in grades K through 12 and various community groups, which ranks it 339 out of approximately 775 public and community school districts in Ohio.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units". The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3)

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northwestern Ohio Educational Research Council, Inc.

The research council is a jointly governed organization which serves a twenty-five county area in Northwest Ohio. The research council was 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 material, and provide opportunities for training. 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 is available 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 \$69,899 during the fiscal year 2004 for natural gas. Financial information is available from the Erie County Educational Service Center (fiscal agent), at 2900 South 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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one 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. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors is the governing board of NOECA and is composed of two superintendents for each of the counties of Erie, Huron, Ottawa, Sandusky, Seneca, and Wood, one superintendent from Crawford County, and the fiscal agent superintendent. The District paid \$33,321 during fiscal year 2004 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 Plan

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 Plan's business and affairs are conducted by a three member Board of Directors consisting of the president, the president-elect, and the immediate past president of OASBO.

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

GOVERNMENTAL FUNDS

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds, notes, and loans payable.

Classroom Facilities Fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

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

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Assets presents the financial condition of the governmental activities of the District at fiscal year end.

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

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

Fund Financial Statements – During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenues, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

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

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

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

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

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

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

**E. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2004.
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 is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund, function, and object must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund, function, and object appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and object level.

**F. Cash and Investments**

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

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, debt service fund, permanent improvement fund, building fund, classroom maintenance fund, food service fund, District managed activity funds, student managed activity funds, and trust funds. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$97,570, which includes \$52,591 assigned from other funds.

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

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

**G. Inventory**

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

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On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$2,500. The change in capitalization policy was a result of differences in asset costs between the time that the previous policy was adopted and the current fiscal year and due to a perceived lack of future economic benefit to be derived from deferring the costs of smaller capital assets. The capital asset balance has been restated to reflect the change in threshold (See Note 8.A.). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

Description	Governmental Activities Estimated Lives
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

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

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In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees 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 severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

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

**L. Fund Balance Reserves**

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

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**M. Net Assets**

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

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted when limitation on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund represent cash and cash equivalents set-aside to establish textbook and budget stabilization reserves and amounts restricted for bus purchases. The reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of

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Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**3. ACCOUNTABILITY AND COMPLIANCE**

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

For fiscal year 2004, the District has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*", GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units*", GASB Statement No. 41, "*Budgetary Comparison Schedule - Perspective Differences*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39, and 41.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individually major funds rather than by fund type. Non-major funds are presented in total in one column. Fiduciary funds are reported by type.

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

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

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

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

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

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

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total
Fund balance June 30, 2003	\$ 3,022,147	\$ 514,705	\$ 10,682,483	\$ 1,343,088	\$ 15,562,423
Fund reclassifications	-	-	-	147,734	147,734
Implementation of GASB Interpretation No. 6	5,884	-	-	-	5,884
Restated fund balance, June 30, 2003	<u>\$ 3,028,031</u>	<u>\$ 514,705</u>	<u>\$ 10,682,483</u>	<u>\$ 1,490,822</u>	<u>\$ 15,716,041</u>

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

	Total
Restated fund balance, June 30, 2003	\$ 15,716,041
GASB 34 adjustments:	
Long-term (deferred) assets	870,220
Capital assets	14,260,583
Accrued interest payable	(34,915)
Pension obligation	(59,951)
Long-term liabilities	<u>(5,889,461)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 24,862,517</u>

**B. Deficit Fund Balances**

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

<u>Nonmajor Funds</u>	<u>Deficit</u>
Management Information Systems	\$ 23
Title VI-B	941
Lim. English III	26
Drug-Free School Grant	31
Preschool	23
Reducing Class Size	327
Miscellaneous Federal Grants	1

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when

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cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

Statutes require the classification of monies held by the District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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;

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At fiscal year-end, the District had \$2,175 in undeposited cash on hand which is included on the financial statements as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$4,955,635 and the bank balance was \$5,075,354. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$4,775,354 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to § 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

	Reported Amount	Fair Value
Investment in STAR Ohio	\$ 1,336,285	\$ 1,336,285
Total investments	\$ 1,336,285	\$ 1,336,285

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 6,294,095	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(1,336,285)	1,336,285
Cash on hand	(2,175)	-
GASB Statement No. 3	\$ 4,955,635	\$ 1,336,285

**5. INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2004, as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 85,523

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004, are reported on the statement of net assets.

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**6. PROPERTY TAXES**

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

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

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

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

The amount available as an advance at June 30, 2004, was \$402,632 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003, was \$509,493 in the general fund.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 63,085,460	88.07%	\$ 75,361,330	90.30%
Tangible personal property	4,746,920	6.63%	4,187,446	5.02%
Public utility personal	3,799,180	5.30%	3,908,950	4.68%
<b>Total</b>	<b>\$ 71,631,560</b>	<b>100.00%</b>	<b>\$ 83,457,726</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$ 52.10		 \$ 52.10	

**7. RECEIVABLES**

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

**Governmental Activities:**

Property taxes	\$ 2,571,325
Accounts	2,915
Intergovernmental	<u>101,177</u>
<b>Total</b>	<b><u>\$ 2,675,417</u></b>

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

**8. CAPITAL ASSETS**

- A.** The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (see Note 2.H.), fund reclassifications, and the depreciation of capital assets in accordance with GASB Statement No. 34.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

	Balance 7/1/2003	Threshold Adjustments	Reclassification Adjustments	Restated Balance 6/30/03
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 769,426	\$ -	\$ -	\$ 769,426
Construction in progress	11,696,878	-	-	11,696,878
<i>Total capital assets, not being depreciated</i>	<u>12,466,304</u>	<u>-</u>	<u>-</u>	<u>12,466,304</u>
Capital assets, being depreciated:				
Land improvements	-	-	110,578	110,578
Buildings and improvements	2,491,080	(4,732)	(92,883)	2,393,465
Furniture and equipment	2,229,409	(1,126,254)	(17,695)	1,085,460
Vehicles	599,639	-	-	599,639
<i>Total capital assets, being depreciated</i>	<u>5,320,128</u>	<u>(1,130,986)</u>	<u>-</u>	<u>4,189,142</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(2,394,863)</u>	<u>-</u>	<u>(2,394,863)</u>
Governmental activities capital assets, net	<u>\$ 17,786,432</u>	<u>\$ (3,525,849)</u>	<u>\$ -</u>	<u>\$ 14,260,583</u>

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

	Restated Balance 7/1/03	Additions	Deductions	Balance 06/30/04
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 769,426	\$ 116	\$ -	\$ 769,542
Construction in progress	11,696,878	1,611,577	(11,696,878)	1,611,577
<i>Total capital assets, not being depreciated</i>	<u>12,466,304</u>	<u>1,611,693</u>	<u>(11,696,878)</u>	<u>2,381,119</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	110,578	2,327,505	-	2,438,083
Buildings and improvements	2,393,465	19,668,208	(1,375,895)	20,685,778
Furniture and equipment	1,085,460	1,550,847	(972,449)	1,663,858
Vehicles	599,639	20,234	-	619,873
<i>Total capital assets, being depreciated</i>	<u>4,189,142</u>	<u>23,566,794</u>	<u>(2,348,344)</u>	<u>25,407,592</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(82,617)	(65,350)	-	(147,967)
Buildings and improvements	(1,761,996)	(271,639)	872,207	(1,161,428)
Furniture and equipment	(249,719)	(108,528)	199,305	(158,942)
Vehicles	(300,531)	(61,666)	-	(362,197)
<i>Total accumulated depreciation</i>	<u>(2,394,863)</u>	<u>(507,183)</u>	<u>1,071,512</u>	<u>(1,830,534)</u>
Governmental activities capital assets, net	<u>\$ 14,260,583</u>	<u>\$ 24,671,304</u>	<u>\$ (12,973,710)</u>	<u>\$ 25,958,177</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 276,377
Special	12,060
Vocational	8,123
Support Services:	
Instructional staff	5,432
Administration	15,312
Operations and maintenance	81,813
Pupil transportation	61,666
Food service operation	40,398
Extracurricular activities	6,002
<i>Total depreciation expense</i>	<u><u>\$ 507,183</u></u>

**9. CAPITALIZED LEASES – LESSEE DISCLOSURE**

**Lease-Purchase Obligation**

During fiscal 2004, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for acquisition and construction of an athletic out-building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments is general operating revenue of the District. During fiscal year 2004, the District made \$58,000 in principal payments and \$22,305 in interest and administrative fees on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded in the Government-wide Financial Statement.

The following is a summary of the District's future minimum annual payments to termination of the lease-purchase agreement:

Fiscal Year Ending	Payment
2005	\$ 85,367
2006	84,744
2007	85,034
2008	82,194
2009	79,354
2010 - 2013	291,011
<i>Total</i>	<u>707,704</u>
Less interest	128,704
<i>Present value</i>	<u><u>\$ 579,000</u></u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

**10. LONG-TERM OBLIGATIONS**

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003, has been restated. The compensated absences liability increased from \$32,184 from \$336,653 to \$368,837 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. Pension obligations of \$49,699 at June 30, 2003, are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003, was a decrease of \$17,515 from \$5,920,178 to \$5,902,663. During fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding 06/30/03	Additions	Reductions	Balance Outstanding 06/30/04	Amounts Due in One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 368,837	\$ 90,017	\$ (28,816)	\$ 430,038	\$ 31,915
General obligation bonds					
Current Interest	5,305,000	-	(185,000)	5,120,000	195,000
Capital appreciation	228,826	20,071	-	248,897	-
Lease-Purchase Payable	-	637,000	(58,000)	579,000	60,000
Total long-term obligations, governmental activities	<u>\$ 5,902,663</u>	<u>\$ 747,088</u>	<u>\$ (271,816)</u>	<u>\$ 6,377,935</u>	<u>\$ 286,915</u>

General Obligation Bonds: 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 Statement of Net Assets. 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 \$54,901 has been included in the Statement of Net Assets at June 30, 2004.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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.** Principal and interest requirements to retire general obligation bonds June 30, 2004, are as follows:

Fiscal Year Ending June 30:	General Obligation Term and Serial Bonds	Capital Appreciation General Obligation Bonds	Total
2005	\$ 433,097	\$ -	\$ 433,097
2006	430,985	-	430,985
2007	433,243	-	433,243
2008	429,900	-	429,900
2009	430,931	-	430,931
2010 - 2014	1,630,699	530,000	2,160,699
2015 - 2019	2,139,770	-	2,139,770
2020 - 2024	2,118,815	-	2,118,815
<i>Total obligation</i>	8,047,440	530,000	8,577,440
Less: interest	(2,927,440)	-	(2,927,440)
<i>Total principal</i>	<u>\$ 5,120,000</u>	<u>\$ 530,000</u>	<u>\$ 5,650,000</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the 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 effects of these debt limitations at June 30, 2004, are a voted debt margin of \$2,721,671 and an unvoted debt margin of \$83,458.

**11. 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 2004, the District contracted with Securance Services Inc. (through the Indiana Insurance Company) for the following insurance coverage's:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

Building and Contents	\$ 26,334,163
Umbrella Liability:	
Per Occurrence	5,000,000
Aggregate	5,000,000
Commercial Liability:	
Per Occurrence	1,000,000
Aggregate	2,000,000
Auto Liability:	
Per Occurrence	1,000,000
Employee Benefits Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Sexual Misconduct and Molestation Liability	
Per Occurrence	1,000,000
Aggregate	1,000,000
Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
School Leaders Errors and Omissions	
Per Occurrence	1,000,000
Aggregate	1,000,000

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 2003.

**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 (Note 2.A), 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 Plan**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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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 that 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.

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 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 2004, 9.09 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, 2004, 2003, and 2002, were \$117,761, \$67,566, and \$43,377, respectively; 34.95 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$76,608 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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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. 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 10 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 years 2004 and 2003, 13 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, 2004, 2003, and 2002, were \$574,585, \$506,271, and \$348,987, respectively; 83.99 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$92,012 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal 2004 were \$362 made by the District and \$413 made by plan members.

**C. Social Security System**

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

**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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

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 Stabilization fund. For the District, this amount equaled \$41,042 during fiscal 2004.

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

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

For this fiscal year, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay has been established at \$25,400. 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, before premium deduction. Gross expenses for health care at June 30, 2004, were \$223.445 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$55,004 during the 2004 fiscal year.

**14. BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 130,194
Net adjustment for revenue accruals	(57,376)
Net adjustment for expenditure accruals	(49,934)
Net adjustment for other sources/uses	(40,732)
Adjustment for encumbrances	208,046
GAAP basis	\$ 190,198

**15. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. State 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**16. STATUTORY RESERVES**

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

	Textbooks/ Instructional Supplies	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of June 30, 2003	\$ 370,474	\$ -	\$ 29,274
Current year set-aside requirement	154,925	154,925	-
Current year offsets	(260,594)	(32,082)	-
Qualifying disbursements	-	(11,956,922)	-
Total	<u>\$ 264,805</u>	<u>\$ (11,834,079)</u>	<u>\$ 29,274</u>
Cash balance carried forward to FY 2005	<u>\$ 264,805</u>	<u>\$ -</u>	<u>\$ 29,274</u>

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

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

Amount restricted for textbooks/instructional supplies	\$ 264,805
Amount restricted for school bus purchases	43,546
Amount restricted for budget stabilization	29,274
<i>Total restricted assets</i>	<u><u>\$ 337,625</u></u>

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Donation		10.550
School Breakfast Program	05PU 2003	10.553
National School Lunch Program	LLP4 2003 LLP4 2004	10.555
Special Milk Program for Children	02PU 2003 02PU 2004	10.556
Total U.S. Department of Agriculture - Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF JOBS AND FAMILY SERVICES</b> <i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>		
Medical Assistance Program		93.778
Total Department of Jobs and Family Services		
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States	6BSF 2004 6BSF 2002	84.027
Special Education Preschool Grants	PGS1 2004	84.173
<i>Total Special Education Cluster</i>		
Title I Grants to Local Educational Agencies	C1S1-2002 C1S1-2003 C1S1-2003 C1S1-2004	84.010

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 42,217		\$ 42,217
\$ 1,128		\$ 1,128	
26,615		26,615	
73,579		73,579	
336		336	
1,046		1,046	
<u>102,704</u>	<u>42,217</u>	<u>102,704</u>	<u>42,217</u>
736		736	
<u>736</u>		<u>736</u>	
139,078		139,078	
		1,440	
3,998		3,998	
<u>143,076</u>		<u>144,516</u>	
46,911		175	
(12,040)		27,797	
129,476		112,657	

(Continued)

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>		
Migrant Education State Grant Program	MGS1 2003 MGS1 2003 MGS1 2004	84.011
State Grants for Innovative Programs	C2S1 2002 C2S1 2003 C2S1 2003 C2S1 2004	84.298
Education Technology State Grants	TJS1 2004	84.318
Safe and Drug-Free Schools and Communities National Programs	DRS1 2004	84.186
English Language Acquisition Grants	T3S1 2004	84.365
Improving Teacher Quality State Grants	TRS1 2003 TRS1 2004	84.367
Total Department of Education		
<b>Total Federal Award Expenditures</b>		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
58,548		43,622	
(4,971)			
25,068		26,230	
		675	
(2,855)			
3,739		3,591	
7,636		3,862	
4,108		4,108	
6,398		6,398	
16,669		16,669	
7,169		6,745	
51,909		51,909	
<b>480,841</b>		<b>448,954</b>	
<b>\$ 584,281</b>	<b>\$ 42,217</b>	<b>\$ 552,394</b>	<b>\$ 42,217</b>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2004**

**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 non-monetary 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.

**NOTE D - NEGATIVE RECEIPTS**

CFDA #'s 84.010, 84.011, and 84.298 include a negative receipt of \$12,040, \$4,971, and \$2,855, respectively, due to a carryover transfer from the previous grant year.



**Auditor of State  
Betty Montgomery**

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

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 governmental activities, each major fund, and the aggregate remaining fund information of Gibsonburg Exempted Village School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2005, wherein we noted during the year ended June 30, 2004 the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis for States and Local Governments* and the District changed its capital asset threshold policy. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 31, 2005, we reported other matters involving internal control over financial reporting.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

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objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 31, 2005



**Auditor of State  
Betty Montgomery**

**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 Gibsonburg Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated March 31, 2005.

### **Internal Control Over Compliance**

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

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

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



**Betty Montgomery**  
Auditor of State

March 31, 2005

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster, CFDA # 84.173, & 84.027. Title I Grants to Local Educational Agencies CFDA # 84.010.
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2004-001**

**Finding for Recovery Repaid Under Audit**

Sausage, rib, and barbecue sauce sales from the Future Farmers of America Club fund raiser had discrepancies in the final account of funds raised. According to District records, \$2,815.64 was deposited from the sales. According to the advisors records, \$3,034.43 was collected and should have been deposited, resulting in a difference of \$218.79.

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

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money that is due but not collected is hereby issued against Mark White, FFA Advisor, Kerri Johnson, Treasurer, and Ms. Johnson's bonding company, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of two hundred eighteen dollars and seventy-nine cents (\$218.79) and in favor of the Student Activity Fund.

The Finding for Recovery was repaid during the audit on February 14, 2005 and was credited to the Student Activity Fund.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Revised Code § 5705.39, appropriations exceeded estimated resources.	Yes	





**Auditor of State  
Betty Montgomery**

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2005**