



**Auditor of State
Betty Montgomery**

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Clyde-Green Springs Exempted Village School District
Sandusky County
106 South Main Street
Clyde Ohio 43410-1695

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 Clyde-Green Springs Exempted Village School District, Sandusky County, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government'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 Clyde-Green Springs Exempted Village School District, Sandusky County, Ohio, as of June 30, 2003, and the respective changes in financial position, where applicable, and the respective 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 3A, during the year ended June 30, 2003, the Government 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 discussed in Note 9A, the District changed its capital assets threshold policy.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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 combining nonmajor fund statements and schedules and 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.



Betty Montgomery
Auditor of State

December 10, 2003

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

The discussion and analysis of the Clyde-Green Springs 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, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$30,370 which represents a 0.38% decrease from 2002.
- General revenues accounted for \$15,139,480 in revenue or 85.75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,515,826 or 14.25% of total revenues of \$17,655,306.
- The District had \$17,685,676 in expenses related to governmental activities; only \$2,515,826 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,139,480 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$14,690,657 in revenues and \$14,786,044 in expenditures. During fiscal 2003, the general fund's fund balance decreased \$492,822 from \$2,819,345 to \$2,326,523.

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 significant fund, and the only governmental fund reported as a major 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 2003?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting*

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

similar to the accounting used by most private-sector companies. This basis of accounting takes 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

The analysis of the District's major governmental fund begins on page 10. 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 only major governmental fund is the general 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*, 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 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.

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.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

The table below provides a summary of the District's net assets for 2003.

	Governmental Activities <u>2003</u>
<u>Assets</u>	
Current and other assets	\$ 10,238,283
Capital assets	<u>9,138,738</u>
 Total assets	 <u>19,377,021</u>
<u>Liabilities</u>	
Current liabilities	6,555,921
Long-term liabilities	<u>4,698,600</u>
 Total liabilities	 <u>11,254,521</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	6,216,569
Restricted	1,009,396
Unrestricted	<u>896,535</u>
 Total net assets	 <u>\$ 8,122,500</u>

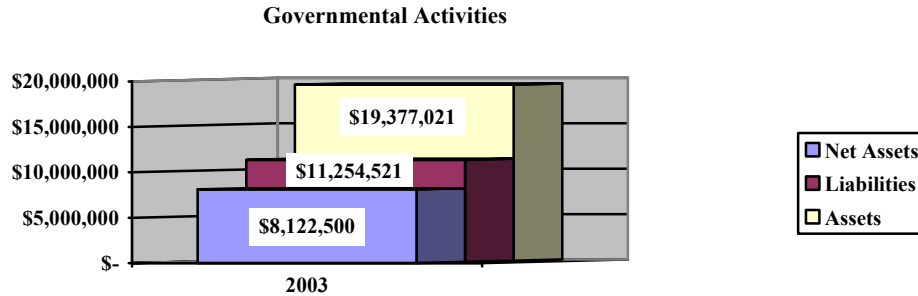
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$8,122,500. Of this total, \$896,535 is unrestricted in use.

At year-end, capital assets represented 47.17% of total assets. Capital assets include land, improvements other than buildings, buildings and improvements, furniture, and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, were \$6,216,569. 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, \$1,009,396, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$896,535 may be used to meet the District's ongoing obligations to the students and creditors.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003



The table below shows the change in net assets for fiscal year 2003. 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 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	Change in Net Assets
	<u>Governmental Activities 2003</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 898,707
Operating grants and contributions	1,388,816
Capital grants and contributions	228,303
General revenues:	
Property taxes	5,929,719
Payments in-lieu of taxes	364,614
Grants and entitlements	8,664,909
Investment earnings	99,909
Other	80,329
	<hr/>
Total revenues	<u>\$ 17,655,306</u>

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Change in Net Assets</u>
	<u>Governmental Activities 2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 8,001,337
Special	1,952,730
Vocational	95,428
Other	51,543
Support services:	
Pupil	913,298
Instructional staff	651,067
Board of education	27,039
Administration	1,533,107
Fiscal	401,822
Business	4,781
Operations and maintenance	1,581,797
Pupil transportation	862,886
Central	24,670
Operations of non-instructional services	15,149
Extracurricular activities	585,728
Intergovernmental pass through	49,573
Food service operations	733,162
Interest and fiscal charges	<u>200,559</u>
 Total expenses	 <u>17,685,676</u>
 Decrease in net assets	 <u>\$ (30,370)</u>

Governmental Activities

Net assets of the District's governmental activities decreased by \$30,370. Total governmental expenses of \$17,685,676 were offset by program revenues of \$2,515,826 and general revenues of \$15,139,480. Program revenues supported 14.23% 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 88.38% of total governmental revenue.

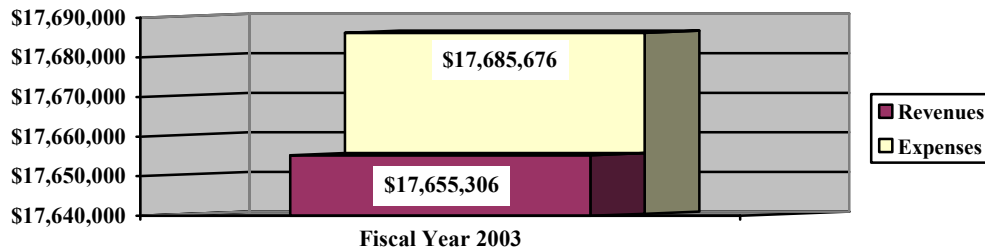
The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,101,038 or 57.11% of total governmental expenses for fiscal 2003.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities

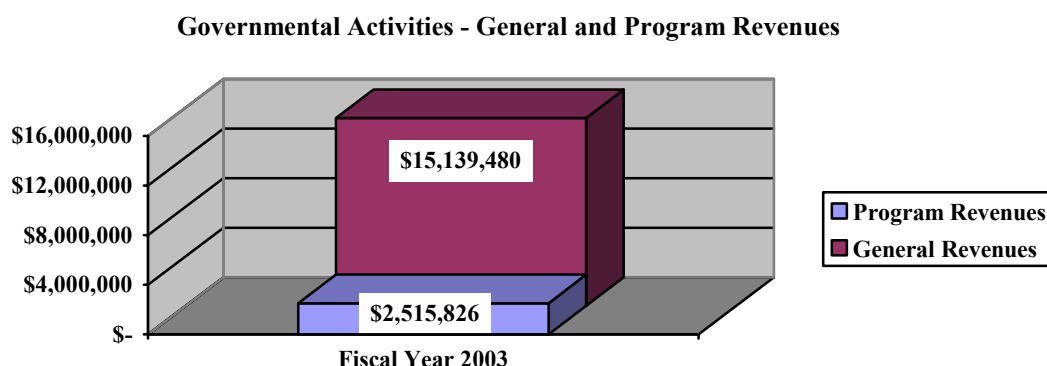
	Total Cost of Services 2003	Net Cost of Services 2003
	<u>2003</u>	<u>2003</u>
Program expenses		
Instruction:		
Regular	\$ 8,001,337	\$ 7,461,940
Special	1,952,730	1,478,174
Vocational	95,428	95,428
Other	51,543	50,578
Support services:		
Pupil	913,298	842,094
Instructional staff	651,067	607,190
Board of education	27,039	27,039
Administration	1,533,107	1,358,362
Fiscal	401,822	390,966
Business	4,781	4,781
Operations and maintenance	1,581,797	1,556,298
Pupil transportation	862,886	847,578
Central	24,670	7,170
Operations of non-instructional services	15,149	3,704
Food service operations	733,162	(68,953)
Extracurricular activities	585,728	316,188
Intergovernmental pass through	49,573	(9,246)
Interest and fiscal charges	200,559	200,559
	<u>200,559</u>	<u>200,559</u>
Total expenses	\$ 17,685,676	\$ 15,169,850

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

The dependence upon tax and other general revenues for governmental activities is apparent, 90.05% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.77%. 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 2003.



The District's Funds

The District's governmental funds (as presented on page 6) reported a combined fund balance of \$3,500,052, which is higher than last year's total of \$3,411,311. The June 30, 2002 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, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Fund Balance <u>June 30, 2002</u>	Increase <u>(Decrease)</u>
General	\$ 2,326,523	\$ 2,819,345	\$ (492,822)
Other Governmental	<u>1,173,529</u>	<u>591,966</u>	<u>581,563</u>
 Total	 <u>\$ 3,500,052</u>	 <u>\$ 3,411,311</u>	 <u>\$ 88,741</u>

General Fund

The District's general fund balance decreased by \$492,822 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to decreasing revenues and increase expenditures. On March 3, 2003 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The amount of this reduction to the district was \$111,345. Also on May 19, 2003 the Board of Education authorized a transfer of \$300,000 from the general fund into the building fund as the district share of the fundraising effort to construct a new auditorium at Clyde High School. A bond issue had been passed by the district voters on May 6, 2003 to fund the remainder of the project. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	2003 <u>Amount</u>	Restated 2002 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 5,420,538	\$ 5,805,510	\$ (384,972)	-6.63%
Tuition	10,610	9,373	1,237	13.20%
Earnings on investments	94,918	153,670	(58,752)	-38.23%
Intergovernmental	8,610,382	8,421,246	189,136	2.25%
Other revenues	<u>554,209</u>	<u>572,854</u>	<u>(18,645)</u>	<u>-3.25%</u>
 Total	 <u>\$ 14,690,657</u>	 <u>\$ 14,962,653</u>	 <u>\$ (271,996)</u>	 <u>-1.82%</u>
<u>Expenditures</u>				
Instruction	\$ 8,913,602	\$ 8,625,217	288,385	3.34%
Support services	5,474,570	5,139,781	334,789	6.51%
Extracurricular activities	326,313	335,027	(8,714)	-2.60%
Facilities acquisition and construction	24,705	514,603	(489,898)	-95.20%
Capital outlay	-	114,705	(114,705)	-100%
Debt service	<u>46,854</u>	<u>23,427</u>	<u>23,427</u>	<u>100%</u>
 Total	 <u>\$ 14,786,044</u>	 <u>\$ 14,752,760</u>	 <u>\$ 33,284</u>	 <u>0.23%</u>

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 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues were \$14,283,472, which approximates the original budgeted revenues estimate of \$14,439,730. Actual revenues for fiscal 2003 were \$14,641,413. This represents a \$357,941 increase over final budgeted revenues. The decrease in budgeted revenues was in large part to the March budget reduction in State Foundation Funding.

General fund original appropriations (appropriated expenditures excluding other financing uses) of \$15,491,106 were decreased to \$15,540,687 in the final budget. The actual budget basis expenditures for fiscal year 2003 totaled \$15,090,838, which was \$449,849 less than the final budget appropriations. The decrease in appropriations was due to conservative budgeting in the original appropriations measure. Expenditures in many categories still did not approach the amended budgeted figures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$9,138,738 invested in land, improvements other than buildings, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

	Governmental Activities	
	2003	2002
Land	\$ 423,960	\$ 423,960
Improvements other than buildings	785,755	797,568
Building and improvements	7,048,916	7,329,915
Furniture and equipment	643,036	593,886
Vehicles	237,071	236,485
 Total	 \$ 9,138,738	 \$ 9,381,814

The overall decrease in capital assets of \$243,076 is due to depreciation expense of \$589,654 exceeding capital outlays of \$346,578 in the fiscal year.

Debt Administration

At June 30, 2003, the District had \$2,810,000 in general obligation bonds \$47,156 in energy conservation loans outstanding. Of this total, \$137,156 is due within one year and \$2,720,000 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2003	Governmental Activities 2002
General obligation bonds:		
School improvement	\$ 2,810,000	\$ 2,895,000
Energy conservation loan	47,156	138,663
 Total	 \$ 2,857,156	 \$ 3,033,663

During fiscal year 1994, an energy conservation loan was established under the rules of H.B. 264. The loan was in the amount of \$753,813 at an interest rate of 5.15% with semi-annual payments of principal and interest. Proceeds of this loan were used to make energy improvements to all buildings of the District. The majority of these improvements consisted of lighting retrofits, window replacements and boiler replacements.

During fiscal year 1995, the District issued bonds in the amount of \$3,400,000 for an addition and improvements to Clyde High School. The bonds were issued on January 15, 1995 with serial maturities from 1995 to 2009 at interest rates ranging from 4.80% to 6.00% and term maturities in 2013 and 2019 at rates of 7.00% and 6.10% respectively. The bonds are rated "AAA" with MBIA insurance and carry an underlying "A" rating from Moody's Investor Services.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

At June 30, 2003, the District's overall legal debt margin was \$14,596,671, an unvoted debt margin of \$190,944 and an unvoted energy conservation debt margin of \$1,671,339. The District maintains an A-1 bond rating.

For the Future

The School District strives to maintain the highest standards of service to our students, parents and community. This has been accomplished despite the financial challenges the local, state and national economy place on it.

The District has seen some significant business investment in recent years. The local community leaders have been aggressively seeking industrial expansion for the past five years. While most of this investment has been enticed with tax incentives, the long-term impact should be positive. Additionally, an upturn in new home construction should have a positive impact. There are at least five housing development projects currently underway within the District. The future impact of these developments is uncertain, but the District has the capacity to handle any additional student population that is anticipated.

Declining enrollments have been a concern and while they continue to be monitored very closely, the additional housing opportunities should help to offset some of this decline. For the first time, during the 2003-04 school year, the District has adopted an open enrollment policy that allows students from other districts to attend the District tuition-free. Each open enrollment student brings with them state foundation funding. Preliminary participation has been very good with forty-four students enrolled.

The District closely monitors its revenues and expenditures in accordance with its financial forecast. Recent reductions in state funding as well as the loss of tax revenue from business inventories and personal property tax reimbursements from the state have played a part in the projected deficit spending the District is anticipating. These revenue reductions are being combined with expected spending increases to maintain current programs. As a result, the District will be looking for additional revenues in the near future. The most likely method will be an additional operating levy in either 2004 or 2005. Our community has traditionally been supportive of tax issues. Small bond issues were passed by District voters in 1994 and 2003. These issues were for the purpose of constructing additional classroom space. Prudent management and growth in the tax base have prevented the need to ask voters for additional operating funds since 1993.

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 Mr. Alan W. Binger, Treasurer, Clyde-Green Springs EVSD, 106 South Main Street, Clyde, Ohio 43410.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,050,586
Receivables:	
Taxes	5,870,674
Accounts	2,268
Accrued interest	5,921
Intergovernmental	185,222
Prepayments	48,355
Materials and supplies inventory	75,257
Capital assets:	
Land	423,960
Depreciable capital assets, net	8,714,778
Capital assets, net	9,138,738
 <i>Total assets</i>	 19,377,021
 Liabilities:	
Accounts payable	36,936
Accrued wages and benefits	1,337,678
Pension obligation payable	383,584
Intergovernmental payable	98,537
Deferred revenue	4,683,109
Accrued interest payable	16,077
Long-term liabilities:	
Due within one year	322,143
Due within more than one year	4,376,457
	4,376,457
 <i>Total liabilities</i>	 11,254,521
 Net Assets:	
Invested in capital assets, net of related debt	6,216,569
Restricted for:	
Capital projects	545,720
Debt service	222,902
Budget Stabilization	67,853
Other purposes	172,921
Unrestricted	896,535
	896,535
 <i>Total net assets</i>	 \$ 8,122,500

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Expenses
Governmental activities:	
Instruction:	
Regular	\$ 8,001,337
Special	1,952,730
Vocational	95,428
Other	51,543
Support services:	
Pupil	913,298
Instructional staff	651,067
Board of education	27,039
Administration	1,533,107
Fiscal	401,822
Business	4,781
Operations and maintenance	1,581,797
Pupil transportation	862,886
Central	24,670
Operation of non-instructional services	15,149
Extracurricular activities	585,728
Intergovernmental pass through	49,573
Food service operations	733,162
Interest and fiscal charges	200,559
	200,559
<i>Total governmental activities</i>	\$ 17,685,676

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

	Program Revenues			Net Assets
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 86,674	\$ 248,937	\$ 203,786	\$ (7,461,940)	
-	474,556	-	(1,478,174)	
-	-	-	(95,428)	
-	965	-	(50,578)	
-	71,204	-	(842,094)	
-	43,877	-	(607,190)	
-	-	-	(27,039)	
75,182	99,563	-	(1,358,362)	
-	10,856	-	(390,966)	
-	-	-	(4,781)	
10,748	14,751	-	(1,556,298)	
-	15,308	-	(847,578)	
-	17,500	-	(7,170)	
-	11,445	-	(3,704)	
245,023	-	24,517	(316,188)	
-	58,819	-	9,246	
481,080	321,035	-	68,953	
-	-	-	(200,559)	
<u>\$ 898,707</u>	<u>\$ 1,388,816</u>	<u>\$ 228,303</u>	<u>(15,169,850)</u>	

General Revenues:

Property taxes levied for:

General purposes	5,441,000
Debt service	281,608
Capital outlay	207,111
Payments in-lieu of taxes	364,614
Grants and entitlements not restricted to specific programs	8,664,909
Investment earnings	99,909
Gain on disposal of capital assets	2,063
Miscellaneous	78,266

Total general revenues 15,139,480

Change in net assets (30,370)

Net assets at beginning of year 8,152,870

Net assets at end of year \$ 8,122,500

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,832,483	\$ 1,150,250	\$ 3,982,733
Receivables:			
Taxes	5,400,372	470,302	5,870,674
Accounts	2,155	113	2,268
Accrued interest	5,921	-	5,921
Interfund loans	60,787	-	60,787
Intergovernmental	-	185,222	185,222
Prepayments	47,492	863	48,355
Materials and supplies inventory	52,491	3,696	56,187
Restricted assets:			
Equity in pooled cash and cash equivalents	67,853	-	67,853
Total assets	\$ 8,469,554	\$ 1,810,446	\$ 10,280,000
Liabilities:			
Accounts payable	\$ 31,862	\$ 5,074	\$ 36,936
Accrued wages and benefits	1,257,368	80,310	1,337,678
Compensated absences payable	28,815	-	28,815
Pension obligation payable	230,905	12,810	243,715
Intergovernmental payable	91,952	6,585	98,537
Interfund loan payable	-	60,787	60,787
Deferred revenue	4,502,129	471,351	4,973,480
Total liabilities	6,143,031	636,917	6,779,948
Fund Balances:			
Reserved for encumbrances	452,597	268,351	720,948
Reserved for debt service	-	176,701	176,701
Reserved for materials and supplies inventory	52,491	3,696	56,187
Reserved for property tax unavailable for appropriation	900,385	79,649	980,034
Reserved for prepayments	47,492	863	48,355
Reserved for budget stabilization	67,853	-	67,853
Unreserved:			
Designated for budget stabilization	427,426	-	427,426
Undesignated, reported in:			
General fund	378,279	-	378,279
Special revenue funds	-	178,156	178,156
Capital projects funds	-	466,113	466,113
Total fund balances	2,326,523	1,173,529	3,500,052
Total liabilities and fund balances	\$ 8,469,554	\$ 1,810,446	\$ 10,280,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances	\$	3,500,052
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		9,138,738
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		
Taxes	\$ 207,531	
Accrued interest	2,142	
Intergovernmental revenue	<u>80,698</u>	
Total		290,371
Federally donated commodities are not reported in the funds		19,070
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
General obligation bonds	2,810,000	
Energy conservation loan	47,156	
Capital lease obligation	65,013	
Compensated absences	1,747,616	
Pension obligation payable	139,869	
Accrued interest payable	<u>16,077</u>	
Total		<u>(4,825,731)</u>
<i>Net assets of governmental activities</i>	\$	<u><u>8,122,500</u></u>

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 5,420,538	\$ 486,632	\$ 5,907,170
Tuition	10,610	-	10,610
Earnings on investments	94,918	9,430	104,348
Extracurricular	-	212,450	212,450
Charges for services	-	481,080	481,080
Contributions and donations	-	199,186	199,186
Other local revenues	554,209	107,755	661,964
Intergovernmental - state	8,608,026	455,825	9,063,851
Intergovernmental - federal	2,356	879,276	881,632
<i>Total revenue</i>	<u>14,690,657</u>	<u>2,831,634</u>	<u>17,522,291</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,324,921	351,509	7,676,430
Special	1,445,641	472,356	1,917,997
Vocational	92,458	-	92,458
Other	50,582	961	51,543
Support Services:			
Pupil	858,213	64,264	922,477
Instructional staff	586,712	47,918	634,630
Board of education	27,039	-	27,039
Administration	1,350,690	158,759	1,509,449
Fiscal	380,114	18,925	399,039
Business	4,696	-	4,696
Operations and maintenance	1,440,484	15,728	1,456,212
Pupil transportation	825,166	32,048	857,214
Central	1,456	17,500	18,956
Operation of non-instructional services	-	14,782	14,782
Extracurricular activities	326,313	227,815	554,128
Facilities acquisition and construction	24,705	191,880	216,585
Intergovernmental pass through	-	49,254	49,254
Food service operations	-	615,788	615,788
Debt service:			
Principal retirement	38,249	176,507	214,756
Interest and fiscal charges	8,605	193,577	202,182
<i>Total expenditures</i>	<u>14,786,044</u>	<u>2,649,571</u>	<u>17,435,615</u>
<i>Excess of revenues under expenditures</i>	<u>(95,387)</u>	<u>182,063</u>	<u>86,676</u>
Other financing sources (uses):			
Transfers in	-	416,356	416,356
Transfers (out)	(397,401)	(18,955)	(416,356)
Proceeds from sale of capital assets	-	2,063	2,063
<i>Total other financing sources (uses)</i>	<u>(397,401)</u>	<u>399,464</u>	<u>2,063</u>
<i>Net change in fund balances</i>	(492,788)	581,527	88,739
<i>Fund balances at beginning of year (restated)</i>	2,819,345	591,966	3,411,311
Increase (decrease) in reserve for inventory	(34)	36	2
<i>Fund balances at end of year</i>	<u>\$ 2,326,523</u>	<u>\$ 1,173,529</u>	<u>\$ 3,500,052</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLYDE-GREEN SPRINGS 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, 2003

Net change in fund balances - total governmental funds	\$	88,739
 Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period		(243,076)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		31,530
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed		2
Donated commodities received and the related expense is not recorded in the funds.		19,070
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		214,756
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due		1,623
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		(143,014)
<i>Change in net assets of governmental activities</i>	<u>\$</u>	<u>(30,370)</u>

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT IN REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,400,000	\$ 5,400,000	\$ 5,402,200	\$ 2,200
Tuition	11,186	11,000	11,205	205
Earnings on investments	111,862	110,000	114,389	4,389
Other local revenues	160,469	151,972	503,237	351,265
Intergovernmental - state	8,753,772	8,608,100	8,608,026	(74)
Intergovernmental - federal	2,441	2,400	2,356	(44)
<i>Total revenue</i>	<u>14,439,730</u>	<u>14,283,472</u>	<u>14,641,413</u>	<u>357,941</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,422,212	7,380,003	7,347,735	32,268
Special	1,628,964	1,633,863	1,497,579	136,284
Vocational	92,757	98,602	85,974	12,628
Other	77,500	77,500	50,732	26,768
Support Services:				-
Pupil	809,843	852,147	846,742	5,405
Instructional staff	611,352	611,352	592,130	19,222
Board of education	39,517	39,517	28,854	10,663
Administration	1,377,407	1,373,231	1,356,219	17,012
Fiscal	407,691	412,162	380,931	31,231
Business	5,590	5,590	4,649	941
Operations and maintenance	1,704,570	1,709,565	1,633,358	76,207
Pupil transportation	936,242	963,339	909,290	54,049
Central	18,000	18,000	3,289	14,711
Extracurricular activities	341,111	341,111	328,651	12,460
Facilities acquisition and construction	18,350	24,705	24,705	-
<i>Total expenditures</i>	<u>15,491,106</u>	<u>15,540,687</u>	<u>15,090,838</u>	<u>449,849</u>
<i>Excess of revenues under expenditures</i>	<u>(1,051,376)</u>	<u>(1,257,215)</u>	<u>(449,425)</u>	<u>807,790</u>
Other financing sources (uses):				
Refund of prior year expenditure	4,000	4,000	3,988	(12)
Transfers (out)	(100,000)	(100,000)	(397,401)	(297,401)
Advances in	-	-	144,673	144,673
Advances (out)	(175,000)	(175,000)	(60,785)	114,215
<i>Total other financing sources (uses)</i>	<u>(271,000)</u>	<u>(271,000)</u>	<u>(309,525)</u>	<u>(38,525)</u>
<i>Net change in fund balance</i>	<u>(1,322,376)</u>	<u>(1,528,215)</u>	<u>(758,950)</u>	<u>769,265</u>
<i>Fund balance at beginning of year</i>	<u>2,771,477</u>	<u>2,771,477</u>	<u>2,771,477</u>	<u>-</u>
<i>Prior year encumbrances appropriated</i>	<u>395,229</u>	<u>395,229</u>	<u>395,229</u>	<u>-</u>
<i>Fund balance at end of year</i>	<u>\$ 1,844,330</u>	<u>\$ 1,638,491</u>	<u>\$ 2,407,756</u>	<u>\$ 769,265</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 5,203	\$ 88,002
Receivables:		
Accounts	-	3,233
	5,203	91,235
<i>Total assets</i>	5,203	91,235
Liabilities:		
Accounts payable	-	58
Intergovernmental payable	-	86,796
Due to students	-	4,381
	-	91,235
<i>Total liabilities</i>	-	\$ 91,235
Net Assets:		
Held in trust for scholarships	5,203	
<i>Total net assets</i>	\$ 5,203	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 203
Gifts and contributions	-
	203
<i>Total additions</i>	203
Deductions:	
Scholarships awarded	-
	-
<i>Change in net assets</i>	203
<i>Net assets at beginning of year</i>	5,000
<i>Net assets at end of year</i>	\$ 5,203

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Clyde-Green Springs Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is an exempted village school district as defined by § 3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the School District.

The District currently operates one elementary school and one comprehensive high school. The District employs 95 non-certified and 169 certified (including administrative) full-time and part-time employees to provide services to approximately 2,300 students in grades K through 12 and various community groups, which ranks it 237 out of approximately 740 public and community school districts in Ohio.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and District administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of 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:

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are limited to its representation on the Board. The District paid \$64,314 to NOECA in fiscal year 2003 for services. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Centers

The Vanguard-Sentinel Career Centers are a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of two representatives from Fremont City Schools and one representative from the Clyde-Green Springs Exempted Village School District and each of the other twelve participating school districts' elected boards, which possesses its own budgeting and taxing authority. Accordingly, the Vanguard-Sentinel Career Centers are not part of the Clyde-Green Springs Exempted Village School District and its operations are not included as part of the reporting entity. To obtain financial information write to the Vanguard-Sentinel Career Centers, Jay Valasek, Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. The District paid \$95,289 to Bay Area Council during fiscal year 2003 for gas usage and related fees. Financial information can be obtained from the Erie County Educational Service Center, who serves as fiscal agent, 2902 Columbus Avenue, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council

The Northwestern Ohio Educational Research Council serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school Districts, five local school Districts and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. The agent for the Northwestern Ohio Educational Research Council is David G. Elsass, 806 Cherry Hill Drive, Bowling Green, Ohio 43402.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

RELATED ORGANIZATION

Clyde Public Library

The library is a separate body politic which provides various educational and literary resources to an area whose borders match the School Districts' with the exception of the Village of Green Springs and the portions of the School District located in Pleasant and Adams Townships, Seneca County. The Library's Board of Trustees is appointed by the School District Board, however the school district does not exercise significant influence over its daily operation, participate in fiscal management or scope of public service, provide financial support, or hold accountability for fiscal matters. Financial information can be obtained by contacting Laurel A. Hedricks, Treasurer, 222 W. Buckeye Street, Clyde, Ohio 43410.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The 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 the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. During fiscal 2003, the District paid \$2,782 to participate in the Plan.

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.

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.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for food service operations; (c) for the accumulation of resources for,

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

and the repayment of, long-term debt principal, interest and related costs; and (d) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

The 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.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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 revenue, 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund/function/object level within the general fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, 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 express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Sandusky County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the object level within each function for the general fund and at the fund level for all other funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

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

During fiscal year 2003, investments were limited to U.S. savings bonds, nonnegotiable certificates of deposits, federal agency securities, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$94,918, which includes \$15,835 assigned from other District 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 Treasurer's investment account at year-end is provided in Note 4.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

G. Inventory

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

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

H. Capital Assets

General capital assets are those assets not specifically related to governmental activities. These 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 fixed assets are recorded at their fair market values as of the date received. The District increased its capitalization threshold from \$500 to \$2,500 for its general capital assets during fiscal 2003. The District does not possess any infrastructure. 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.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Improvements other than buildings	15 - 40 years
Buildings and improvements	5 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 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

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments as well as those employees expected to become eligible in the

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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future. Sick leave benefits are accrued as a liability using the "vesting method". The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves and Designations

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, prepayments, materials and supplies inventory, debt service, property taxes unavailable for appropriation and amounts set-aside for budget stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

The District has established a budget stabilization reserve under Ohio Revised Code § 5705.13(a). The amount remaining in this reserve at fiscal year-end is presented as designated fund balance on the fund financial statements.

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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

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 using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for budget stabilization. See Note 17 for additional information regarding set-asides.

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 basis financial statements.

Interfund activity between governmental funds is eliminated in the statement of activities.

R. Nonpublic Schools

Within the District boundaries, St. Mary's Elementary School is operated as a parochial school. Current State legislation provides funding to this school. These monies are received and disbursed on behalf of the schools by the Treasurer of the District, as directed by the parochial school. This activity is reflected in a special revenue fund by the District for financial reporting purposes.

S. Other Local Revenue

The District has reported rental receipts, classroom materials and fees, payments in lieu of taxes, and other miscellaneous local receipts as "other local revenue" on the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds and on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", 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, 2002, there was not effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

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 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 individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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, 2002, caused by 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 Statement of GASB Statement No. 34. Certain funds previously reported as expendable trust and enterprise funds are now reported as nonmajor governmental funds. It was determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002. 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:

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(Continued)

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance			
June 30, 2002	\$ 2,844,187	\$ 480,418	\$ 3,324,605
Fund reclassifications	-	110,635	110,635
Implementation of GASB Interpretation No. 6	<u>(24,842)</u>	<u>913</u>	<u>(23,929)</u>
Adjusted fund balance, June 30, 2003	<u>\$ 2,819,345</u>	<u>\$ 591,966</u>	<u>\$ 3,411,311</u>

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

	<u>Total</u>
Adjusted fund balance, June 30, 2002	\$ 3,411,311
GASB 34 adjustments:	
Long-term (deferred) assets	258,841
Capital assets	9,381,814
Long-term liabilities	(4,765,455)
Pension obligations	(115,941)
Accrued interest payable	<u>(17,700)</u>
Governmental activities net assets, June 30, 2002	<u>\$ 8,152,870</u>

B. Deficit Fund Balances

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

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
DPFA	\$ 257
Alternative Schools	7,551
Title I	457

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

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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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;
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

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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 year-end, the District had \$102 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end, the carrying amount of the District's deposits was \$3,396,680 and the bank balance was \$3,827,904. Both of these amounts include \$1,300,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$300,000 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$3,527,904 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.

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.

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	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Savings bonds	\$ 5,000	\$ -	\$ 5,000
Federal agency securities	<u>-</u>	<u>707,969</u>	707,969
Total	<u>\$ 5,000</u>	<u>\$ 707,969</u>	
Investment in STAR Ohio			<u>34,040</u>
Total investments			<u>\$ 747,009</u>

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,143,791	\$ -
Investments of the cash management pool:		
Federal agency securities	(707,969)	707,969
Savings bonds	(5,000)	5,000
Investment in STAR Ohio	(34,040)	34,040
Cash on hand	<u>(102)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 3,396,680</u>	<u>\$ 747,009</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2003, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 60,787</u>

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.

- B. Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 397,401
Transfers from nonmajor governmental funds to:	
Nonmajor governmental funds	18,955

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Sandusky and Seneca Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County Auditors by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available as an advance at June 30, 2003 was \$900,385 in the general fund, \$45,019 in the debt service fund and \$34,630 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2002 was \$882,047 in the general fund, \$43,279 in the debt service fund and \$33,312 in the capital projects fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 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.

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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 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 143,713,000	76.35	\$ 148,046,070	77.53
Public Utility Personal	7,509,840	3.99	6,955,670	3.64
Tangible Personal Property	<u>37,008,984</u>	<u>19.66</u>	<u>35,942,156</u>	<u>18.83</u>
Total	<u>\$ 188,231,824</u>	<u>100.00</u>	<u>\$ 190,943,896</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 43.15		\$ 43.10	
Permanent improvements	1.50		1.50	
Debt service	1.60		1.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, 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	\$ 5,870,674
Accounts	2,268
Accrued interest	5,921
Intergovernmental	<u>185,222</u>
Total	<u>\$ 6,064,085</u>

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

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior year, the District entered into a capitalized lease agreement for the acquisition of exercise equipment.

This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as a capital

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements and as a reduction of the lease liability in the government-wide financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the statement of net assets in the amount of \$121,005, which is equal to the present value of the future minimum lease payments as of the date of inception. A corresponding liability was recorded in the statement of net assets. Principal payments in the 2003 fiscal year totaled \$38,249. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2003.

<u>Year Ending June 30</u>	<u>Exercise Equipment</u>
2004	\$ 46,853
2005	<u>23,427</u>
Total minimum lease payment	70,280
Less: amount representing interest	<u>(5,267)</u>
Present value of minimum lease payments	<u>\$ 65,013</u>

NOTE 9 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to a change in the District's capital asset policy (see Note 2.H. for detail):

	<u>Balance 06/30/02</u>	<u>Adjustments</u>	<u>Restated Balance 07/01/02</u>
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 401,460	\$ 22,500	\$ 423,960
Total capital assets, not being depreciated	<u>401,460</u>	<u>22,500</u>	<u>423,960</u>
<i>Capital assets, being depreciated:</i>			
Improvements other than buildings	864,685	207,354	1,072,039
Buildings and improvements	21,058,430	(287,196)	20,771,234
Furniture and equipment	3,562,996	(2,336,887)	1,226,109
Vehicles	1,200,608	(8,800)	1,191,808
Book	<u>681,462</u>	<u>(681,462)</u>	<u>-</u>
Total capital assets, being depreciated	<u>27,368,181</u>	<u>(3,106,991)</u>	<u>24,261,190</u>
Less: accumulated depreciation	<u>-</u>	<u>(15,303,336)</u>	<u>(15,303,336)</u>
Governmental activities capital assets, net	<u>\$ 27,769,641</u>	<u>\$ (18,387,827)</u>	<u>\$ 9,381,814</u>

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 07/01/02	Additions	Deductions	Balance 06/30/03
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 423,960	\$ -	\$ -	\$ 423,960
Total capital assets, not being depreciated	423,960	-	-	423,960
<i>Capital assets, being depreciated:</i>				
Improvements other than buildings	1,072,039	32,711	-	1,104,750
Buildings and improvements	20,771,234	97,716	(61,128)	20,807,822
Furniture and equipment	1,226,109	150,904	(33,207)	1,343,806
Vehicles	1,191,808	65,247	-	1,257,055
Total capital assets, being depreciated	24,261,190	346,578	(94,335)	24,513,433
<i>Less: accumulated depreciation</i>				
Improvements other than buildings	(274,471)	(44,524)	-	(318,995)
Buildings and improvements	(13,441,319)	(378,715)	61,128	(13,758,906)
Furniture and equipment	(632,223)	(101,754)	33,207	(700,770)
Vehicles	(955,323)	(64,661)	-	(1,019,984)
Total accumulated depreciation	(15,303,336)	(589,654)	94,335	(15,798,655)
Governmental activities capital assets, net	\$ 9,381,814	\$ (243,076)	\$ -	\$ 9,138,738

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 341,956
Special	16,282
Support Services:	
Pupil	897
Instructional staff	27,649
Administration	16,043
Fiscal	2,032
Operations and maintenance	31,491
Pupil transportation	67,796
Central	5,714
Operation of non-instructional	475
Extracurricular activities	51,585
Food service operations	27,734
Total depreciation expense	\$ 589,654

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS

- A.** During the fiscal year ended June 30, 2003, the following changes occurred in long-term liabilities reported on the statement of net assets. The capital lease obligation will be paid from the general fund. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	Balance July 1, 2002	Increase	Decrease	Balance June 30, 2003	Amount Due in One Year
Compensated absences	\$ 1,628,530	\$ 281,100	\$ (133,199)	\$ 1,776,431	\$ 142,733
Capital lease obligations	103,262	-	(38,249)	65,013	42,254
School improvement bonds	2,895,000	-	(85,000)	2,810,000	90,000
Energy conservation loan	138,663	-	(91,507)	47,156	47,156
Total	\$ 4,765,455	\$ 281,100	\$ (347,955)	\$ 4,698,600	\$ 322,143

During fiscal year 1994, an energy conservation loan was established under the rules of H.B. 264. The loan was in the amount of \$753,813 at an interest rate of 5.15 percent with semi-annual payments of principal and interest. Proceeds of this loan were used to make energy improvements to all buildings of the District. The majority of these improvements consisted of lighting retrofits, window replacements and boiler replacements.

During fiscal year 1995, the District issued bonds in the amount of \$3,400,000 for an addition and improvements to Clyde High School. The bonds were issued on January 15, 1995 with serial maturities from 1995 to 2009 at interest rates ranging from 4.80 percent to 6.00 percent and term maturities in 2013 and 2019 at rates of 7.00 percent and 6.10 percent respectively. The bonds are rated "AAA" with MBIA insurance and carry an underlying "A" rating from Moody's Investor Services.

- B.** The following is a schedule of the future debt service requirements to retire the school improvement bonds and energy conservation loan:

Fiscal Year Ending June 30	School Improvement Bonds			Energy Conservation Loan		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 90,000	\$ 182,760	\$ 272,760	\$ 47,156	\$ 699	\$ 47,855
2005	95,000	177,510	272,510	-	-	-
2006	100,000	167,003	267,003	-	-	-
2007	120,000	155,692	275,692	-	-	-
2008	125,000	148,464	273,464	-	-	-
2009 - 2013	755,000	608,875	1,363,875	-	-	-
2014 - 2018	1,030,000	316,485	1,346,485	-	-	-
2019 - 2020	495,000	30,348	525,348	-	-	-
Total	\$ 2,810,000	\$ 1,787,137	\$ 4,597,137	\$ 47,156	\$ 699	\$ 47,855

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that the total net indebtedness of a school district shall never exceed 9 percent of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1 percent of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2003 are a voted debt margin of \$14,596,671 (including available funds of \$221,720), an unvoted debt margin of \$190,944, and an unvoted energy conservation debt margin of \$1,671,339.

NOTE 11 - COMPENSATED ABSENCES

A. Sick Leave

All employees are entitled to fifteen (15) days sick leave with pay for each year under contract and accrue sick leave at the rate of one and one-fourth (1 $\frac{1}{4}$) days for each calendar month under contract. Sick leave is cumulative to two hundred fifty (250) days for all employees.

B. Severance Pay

All employees serving in a regular assignment under contract with the Clyde-Green Springs Board of Education may elect to receive a cash payment at retirement for accrued but unused sick leave. To be eligible, employees must be qualified for retirement benefits under one or more of the STRS, SERS or OPERS retirement systems and have performed a minimum of ten (10) years service in one or more Ohio political subdivisions. Payment is to be based on employee's per diem pay rate at the time of retirement. Payment for all employees with ten (10) or more years of service will be paid based on twenty-six percent (26%) of the accrued but unused days of sick leave up to two hundred fifty (250) days up to a maximum of sixty-five (65) days. Employees under the Ohio Association of public School Employees contract with less than ten (10) years service with the District will be paid based on twenty-six percent (26%) of the accrued but unused days of sick leave up to one hundred forty (140) days up to a maximum of thirty-six and four tenths (36.4) days.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

B. Health Insurance

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

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

C. Workers' Compensation

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$310,165, \$301,733, and \$306,642, respectively; 47.53 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$162,756 represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

For the year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,093,395, \$1,036,226, and \$964,950, respectively; 83.00 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$185,812 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

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

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. For the District, this amount equaled \$78,100 during fiscal 2003. STRS pays health care benefits from the Health Care Stabilization fund. The balance in the Health Care Stabilization fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$151,210 during the 2003 fiscal year.

NOTE 15 - 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

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, 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:

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
Budget basis	\$ (758,950)
Net adjustment for revenue accruals	49,244
Net adjustment for expenditure accruals	(179,817)
Net adjustment for other sources/uses	(87,876)
Adjustment for encumbrances	<u>484,611</u>
GAAP basis	<u>\$ (492,788)</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

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.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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.

NOTE 17 - STATUTORY RESERVES

The Districts is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be set-aside.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	<u>Budget Stabilization</u>	
			<u>Designated</u>	<u>Reserved</u>
Set-aside cash balance as of June 30, 2002	\$ (408,816)	\$ -	\$ 427,426	\$ 67,853
Current year set-aside requirement	299,336	299,336	-	-
Qualifying disbursements	<u>(557,538)</u>	<u>(614,272)</u>	-	-
Total	<u>\$ (667,018)</u>	<u>\$ (314,936)</u>	<u>\$ 427,426</u>	<u>\$ 67,853</u>
Balance carried forward to FY 2004	<u>\$ (667,018)</u>	<u>\$ -</u>	<u>\$ 427,426</u>	<u>\$ 67,853</u>

Budget stabilization amounts represent Bureau of Workers' Compensation (BWC) refunds that were received prior to April 10, 2001, and are shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2003, was \$427,426. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

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

Amount restricted for budget stabilization	<u><u>\$ 67,853</u></u>
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NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

On August 19, 2003, the District issued \$2,500,000 in general obligation bonds to finance the construction of the auditorium.

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**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through the Ohio Department of Education</i>		
<i>Nutrition Cluster:</i>		
Food Distribution	10.550	
National School Lunch	10.555	045302LLP1-03 045302LLP4-02 045392LLP4-03
Total - National School Lunch		
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed through the Ohio Department of Education</i>		
Individuals with Disabilities Education (IDEA), Title VI-B	84.027	6B-SF-02 P 6B-SF-03 P 6B-SF-02 P
Total - IDEA		
Title I - Grant to Local Education Agencies	84.010	C1-S1-02 C1-S1-03
Total - Title I		
Innovative Educational Program Strategy	84.298	C2-S1-01 C2-S1-02 C2-S1-03
Total - Innovative Educational Program		
Eisenhower Professional Development	84.281	MS-S1-01 MS-S1-02
Total - Eisenhower Professional Development		
Drug Free Schools	84.186	DR-S1-01 DR-S1-02 DR-S1-03
Total Drug Free Schools		
Title VI-B, 21st Century Living	84.287	TS-S1-03
Title II - D Technology Fund	84.318	TJ-S1-03
Class Size Reduction	84.340	CR-S1-01
Title VI-B, Assistive Technology	84.352	AT-S3-02
Title II - A	84.367	TR-S1-03
Total Department of Education		
TOTAL FEDERAL AWARDS EXPENDITURES		

The accompanying notes are an integral part of this schedule.

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
	\$84,987		\$80,352
\$373		\$373	
45,408		45,408	
123,678		123,678	
169,459		169,459	
169,459	84,987	169,459	80,352
127,190		9,932	
235,518		235,161	
14,076		6,849	
376,784		251,942	
24,467		29,137	
152,739		166,870	
177,206		196,007	
2,633		4,938	
4,064		7,575	
12,898		10,256	
19,595		22,769	
808		3,594	
808		5,648	
		9,242	
1,571		484	
11,541		3,084	
13,112		11,194	
		14,762	
99,491		57,008	
5,379		4,703	
3,924		10,955	
18,859		18,859	
63,035		86,336	
778,193		672,583	
\$947,652	\$84,987	\$842,042	\$80,352

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

Clyde-Green Springs Exempted Village School District
Sandusky County
106 South Main Street
Clyde Ohio 43410-1695

To the Board of Education:

We have audited the financial statements of Clyde-Green Springs Exempted Village School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003 wherein we noted during the year ended June 30, 2003, 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* and the District changed its capital assets 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Clyde-Green Springs Exempted School District in a separate letter dated December 10, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Clyde-Green Springs Exempted School District in a separate letter dated December 10, 2003.

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

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

Betty Montgomery
Auditor of State

December 10, 2003



**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**

Clyde-Green Springs Exempted Village School District
Sandusky County
106 South Main Street
Clyde Ohio 43410-1695

To the Board of Education:

Compliance

We have audited the compliance of Clyde-Green Springs 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, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control over Compliance

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

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

December 10, 2003

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

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

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

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

None.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10172-001	Student Activity Budget and Purpose Statements	No	Partially corrected. Reported in the management letter.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 6, 2004**