



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S 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 the Clyde-Green Springs Exempted Village School District, Sandusky County, (the District), as of and for the year ended June 30 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 22, 2005

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

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

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, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$2,095,732 which represents a 25.80 percent decrease from 2003.
- General revenues accounted for \$15,216,736 in revenue or 85.33 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,616,928 or 14.67 percent of total revenues of \$17,833,664.
- The District had \$19,929,396 in expenses related to governmental activities; only \$2,616,928 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,216,736 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and building fund. The general fund had \$14,492,758 in revenues and other financing sources and \$16,019,253 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance decreased \$1,528,540 from \$2,326,523 to \$797,983.
- The District's other major governmental fund is the building fund. The building fund had \$2,739,190 in revenues and other financing sources and \$722,256 in expenditures. During fiscal 2004, the building fund's fund balance increased \$2,016,934 from \$499,186 to \$2,516,120.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that 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

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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(Continued)

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

Notes to the Basic Financial Statements

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

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2004 and 2003.

Net Assets		
	Governmental Activities 2004	Governmental Activities 2003
Assets		
Current and other assets	\$ 11,715,052	\$ 10,238,283
Capital assets	9,279,143	9,138,738
<i>Total assets</i>	20,994,195	19,377,021
Liabilities		
Current liabilities	7,620,522	6,555,921
Long-term liabilities	7,346,905	4,698,600
<i>Total liabilities</i>	14,967,427	11,254,521
Net Assets		
Invested in capital		
assets, net of related debt	4,070,037	6,216,569
Restricted	2,929,842	1,009,396
Unrestricted (deficit)	(973,111)	896,535
<i>Total net assets</i>	\$ 6,026,768	\$ 8,122,500

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$6,026,768. Of this total, \$2,929,842 is restricted in use.

At year-end, capital assets represented 44.20 percent of total assets. Capital assets include land, improvements other than buildings, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$4,070,037. 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

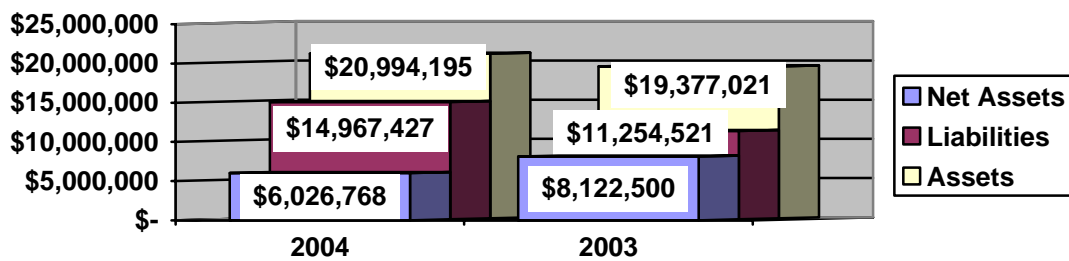
**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,929,842, represents resources that are subject to external restriction on how they may be used.

Governmental Activities



The table below shows the change in net assets for fiscal years 2004 and 2003.

Change in Net Assets		
	Governmental Activities 2004	Governmental Activities 2003
Revenues		
Program revenues:		
Charges for services and sales	\$ 804,007	\$ 898,707
Operating grants and contributions	1,470,342	1,388,816
Capital grants and contributions	342,579	228,303
General revenues:		
Property taxes	5,533,603	5,929,719
Payments in-lieu of taxes	408,144	364,614
Grants and entitlements	8,956,538	8,664,909
Investment earnings	213,316	99,909
Other	105,135	80,329
<i>Total revenues</i>	<u>17,833,664</u>	<u>17,655,306</u>

(Continued)

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Change in Net Assets (Continued)		
	Governmental Activities 2004	Governmental Activities 2003
Expenses		
Program expenses:		
Instruction:		
Regular	9,004,438	8,001,337
Special	2,346,792	1,952,730
Vocational	73,578	95,428
Other	60,641	51,543
Support services:		
Pupil	1,071,768	913,298
Instructional staff	724,347	651,067
Board of education	29,845	27,039
Administration	1,631,811	1,533,107
Fiscal	437,486	401,822
Business	4,780	4,781
Operations and maintenance	1,635,461	1,581,797
Pupil transportation	928,780	862,886
Central	29,258	24,670
Operations of non-instructional services	15,681	15,149
Extracurricular activities	649,516	585,728
Food service operations	852,697	733,162
Intergovernmental pass through	60,279	49,573
Interest and fiscal charges	372,238	200,559
<i>Total expenses</i>	<u>19,929,396</u>	<u>17,685,676</u>
<i>Change in net assets</i>	<u>\$ (2,095,732)</u>	<u>\$ (30,370)</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$2,095,732. The main reason for this was increased expenditures for instruction purposes. Total governmental expenses of \$19,929,396 were offset by program revenues of \$2,616,928 and general revenues of \$15,216,736. Program revenues supported 13.13 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.54 percent of total governmental revenue.

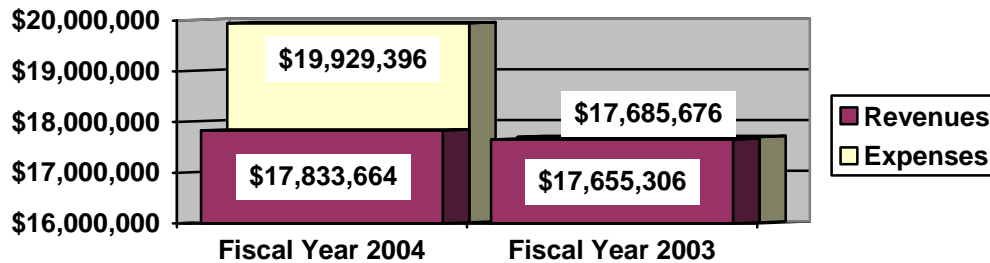
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,485,449 or 57.63 percent of total governmental expenses for fiscal 2004.

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

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

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

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses				
Instruction:				
Regular	\$ 9,004,438	\$ 8,383,206	\$ 8,001,337	\$ 7,461,940
Special	2,346,792	1,750,739	1,952,730	1,478,174
Vocational	73,578	73,578	95,428	95,428
Other	60,641	60,641	51,543	50,578
Support services:				
Pupil	1,071,768	966,425	913,298	842,094
Instructional staff	724,347	710,719	651,067	607,190
Board of education	29,845	29,845	27,039	27,039
Administration	1,631,811	1,546,694	1,533,107	1,358,362
Fiscal	437,486	436,190	401,822	390,966
Business	4,780	4,780	4,781	4,781
Operations and maintenance	1,635,461	1,624,541	1,581,797	1,556,298
Pupil transportation	928,780	926,389	862,886	847,578
Central	29,258	14,258	24,670	7,170
Operations of non-instructional services	15,681	3,031	15,149	3,704
Extracurricular activities	649,516	329,393	585,728	316,188
Intergovernmental pass through	60,279	15,222	49,573	(9,246)
Food service operations	852,697	64,579	733,162	(68,953)
Interest and fiscal charges	372,238	372,238	200,559	200,559
Total expenses	\$ 19,929,396	\$ 17,312,468	\$ 17,685,676	\$ 15,169,850

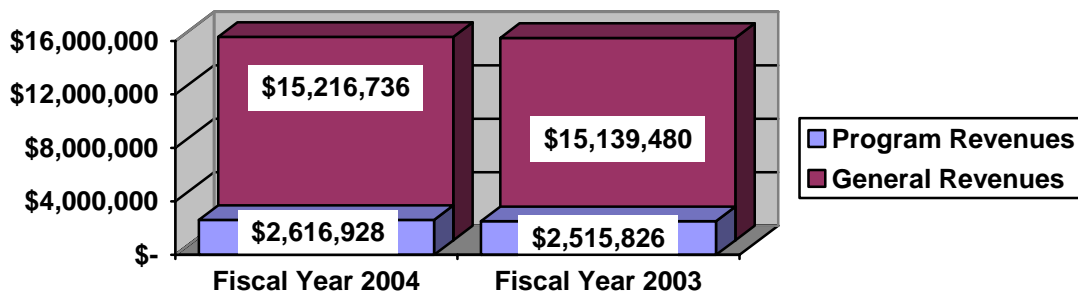
**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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(Continued)

The dependence upon tax and other general revenues for governmental activities is apparent, 89.40 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.87 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,828,834, which is higher than last year's total of \$3,500,052. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$ 797,983	\$ 2,326,523	\$ (1,528,540)
Building	2,516,120	499,186	2,016,934
Other Governmental	514,731	674,343	(159,612)
<i>Total</i>	<u>\$ 3,828,834</u>	<u>\$ 3,500,052</u>	<u>\$ 328,782</u>

General Fund

The District's general fund balance decreased \$1,528,540. The decrease in fund balance can be attributed to several items related to decreasing revenues and increased expenditures for instruction related to salary and health benefit increases. 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 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, 2004
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(Continued)

	2004 Amount	2003 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	\$ 5,012,099	\$ 5,420,538	\$ (408,439)	(7.54) %
Tuition	6,375	10,610	(4,235)	(39.92) %
Earnings on investments	22,937	94,918	(71,981)	(75.83) %
Intergovernmental	8,894,804	8,610,382	284,422	3.30 %
Other revenues	556,470	554,209	2,261	0.41 %
<i>Total</i>	<u>\$ 14,492,685</u>	<u>\$ 14,690,657</u>	<u>\$ (197,972)</u>	(1.35) %
Expenditures				
Instruction	\$ 9,562,356	\$ 8,913,602	\$ 648,754	7.28 %
Support services	5,993,658	5,474,570	519,088	9.48 %
Extracurricular activities	352,531	326,313	26,218	8.03 %
Facilities acquisition and construction	16,000	24,705	(8,705)	(35.24) %
Debt service	46,853	46,854	(1)	(0.00) %
<i>Total</i>	<u>\$ 15,971,398</u>	<u>\$ 14,786,044</u>	<u>\$ 1,185,354</u>	8.02 %

Building Fund

The building fund had \$2,739,190 in revenues and other financing sources and \$722,256 in expenditures. During fiscal 2004, the building fund's fund balance increased \$2,016,934 from \$499,186 to \$2,516,120. This occurred because the District issued \$2,500,000 in bonds and as of June 30, 2004 had only spent \$722,256 on the construction project for a new Auditorium.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$14,732,243, which was lower than the original budgeted revenues estimate of \$15,224,098. Actual revenues and other financing sources for fiscal 2004 was \$14,732,243.

General fund original appropriations (appropriated expenditures excluding other financing uses) of \$16,808,364 were increased to \$16,834,503 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$16,252,797 which was \$581,706 less than the final budget appropriations. Actual transfers out were significantly less than budgeted due to an intrafund elimination within the General Fund.

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

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$9,279,143 invested in land, improvements other than buildings, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

	Capital Assets at June 30 (Net of Depreciation)	
	Governmental Activities	
	2004	2003
Land	\$ 423,960	\$ 423,960
Improvements other than buildings	734,253	785,755
Building and improvements	6,748,489	7,048,916
Furniture and equipment	720,054	643,036
Vehicles	225,841	237,071
Construction in progress	426,546	-
<i>Total</i>	<u>\$ 9,279,143</u>	<u>\$ 9,138,738</u>

The overall increase in capital assets of \$140,405 is due to capital outlays of \$769,330 exceeding depreciation expense of \$628,925 in the fiscal year.

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

Debt Administration

At June 30, 2004, the District had \$5,186,347 in general obligation bonds outstanding. Of this total, \$230,000 is due within one year and \$4,956,347 is due within greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities 2004	Governmental Activities 2003
General obligation bonds	\$ 5,186,347	\$ 2,810,000
Energy conservation loan	-	47,156
<i>Total</i>	<u>\$ 5,186,347</u>	<u>\$ 2,857,156</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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At June 30, 2004, the District's overall legal debt margin was \$13,898,272, an unvoted debt margin of \$208,818 and an unvoted energy conservation debt margin of \$1,879,366.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

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 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. Participation has been very good with forty-two students enrolled to fully offset the 39 students that leave the district on open enrollment. This is an improvement from FY 03 when 29 students left the district with no incoming students to offset that. The future of open enrollment as a source of revenue looks positive with 80 incoming students in the 2004-05 school year compared with 55 students leaving the district.

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 is looking for additional revenues. The District was unsuccessful in an attempt to levy an emergency tax levy in November, 2004 and will likely repeat that request in May, 2005. Our community has traditionally been supportive of tax issues although often it has taken more than one request at the polls. 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, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 5,205,298
Receivables:	
Taxes	6,171,012
Accounts	1,094
Accrued interest	12,928
Intergovernmental	77,432
Prepayments	51,683
Materials and supplies inventory	67,602
Unamortized bond issuance costs	128,003
Capital assets:	
Land	423,960
Construction in progress	426,546
Depreciable capital assets, net	8,428,637
<i>Capital assets, net</i>	9,279,143
<i>Total assets</i>	20,994,195
 Liabilities:	
Accounts payable	95,099
Contracts payable	249,860
Retainage payable	43,350
Accrued wages and benefits	1,431,961
Pension obligation payable	428,846
Intergovernmental payable	225,480
Deferred revenue	5,125,611
Accrued interest payable	20,315
Long-term liabilities:	
Due within one year	393,066
Due within more than one year	6,953,839
<i>Total liabilities</i>	14,967,427
 Net Assets:	
Invested in capital assets, net of related debt	4,070,037
Restricted for:	
Capital projects	2,518,649
Debt service	305,916
Other purposes	105,277
Unrestricted (deficit)	(973,111)
<i>Total net assets</i>	\$ 6,026,768

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, 2004

	Expenses
Governmental activities:	
Instruction:	
Regular	\$ 9,004,438
Special	2,346,792
Vocational	73,578
Other	60,641
Support services:	
Pupil	1,071,768
Instructional staff	724,347
Board of education	29,845
Administration	1,631,811
Fiscal	437,486
Business	4,780
Operations and maintenance	1,635,461
Pupil transportation	928,780
Central	29,258
Operation of non-instructional services	15,681
Extracurricular activities and construction	649,516
Intergovernmental pass through	60,279
Food service operations	852,697
Interest and fiscal charges	372,238
<i>Total governmental activities</i>	\$ 19,929,396

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Program Revenues			Net (Expense)
Charges for	Operating	Capital	Revenue and
Services	Grants and	Grants and	Changes in
and Sales	Contributions	Contributions	Net Assets
			Governmental
			Activities
\$ 47,087	\$ 310,545	\$ 263,600	\$ (8,383,206)
-	596,053	-	(1,750,739)
-	-	-	(73,578)
-	-	-	(60,641)
-	105,343	-	(966,425)
-	13,628	-	(710,719)
-	-	-	(29,845)
8,749	76,368	-	(1,546,694)
-	1,296	-	(436,190)
-	-	-	(4,780)
7,345	3,575	-	(1,624,541)
-	2,391	-	(926,389)
-	15,000	-	(14,258)
-	12,650	-	(3,031)
241,144	-	78,979	(329,393)
-	-	-	-
-	45,057	-	(15,222)
499,682	288,436	-	(64,579)
-	-	-	(372,238)
<u>\$ 804,007</u>	<u>\$ 1,470,342</u>	<u>\$ 342,579</u>	<u>(17,312,468)</u>

General Revenues:

Property taxes levied for:	
General purposes	5,014,973
Debt service	331,910
Capital projects	186,720
Payments in-lieu of taxes	408,144
Grants and entitlements not restricted	
to specific programs	8,956,538
Investment earnings	213,316
Miscellaneous	105,135
<i>Total general revenues</i>	<u>15,216,736</u>
<i>Change in net assets</i>	(2,095,732)
Net assets at beginning of year	<u>8,122,500</u>
<i>Net assets at end of year</i>	<u>\$ 6,026,768</u>

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

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

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,848,276	\$ 2,809,330	\$ 547,692	\$ 5,205,298
Receivables:				
Taxes	5,538,090	-	632,922	6,171,012
Accounts	1,094	-	-	1,094
Accrued interest	12,928	-	-	12,928
Interfund loans	49,749	-	-	49,749
Intergovernmental	-	-	77,432	77,432
Prepayments	50,664	-	1,019	51,683
Materials and supplies inventory	50,446	-	17,156	67,602
<i>Total assets</i>	<u>\$ 7,551,247</u>	<u>\$ 2,809,330</u>	<u>\$ 1,276,221</u>	<u>\$ 11,636,798</u>
Liabilities:				
Accounts payable	\$ 72,533	\$ -	\$ 22,566	\$ 95,099
Contracts payable	-	249,860	-	249,860
Retainage Payable	-	43,350	-	43,350
Accrued wages and benefits	1,342,264	-	89,697	1,431,961
Compensated absences payable	80,016	-	15,973	95,989
Pension obligation payable	247,620	-	15,298	262,918
Intergovernmental payable	217,383	-	8,097	225,480
Interfund loan payable	-	-	49,749	49,749
Deferred revenue	4,793,448	-	560,110	5,353,558
<i>Total liabilities</i>	<u>6,753,264</u>	<u>293,210</u>	<u>761,490</u>	<u>7,807,964</u>
Fund Balances:				
Reserved for encumbrances	325,038	2,510,021	61,819	2,896,878
Reserved for materials and supplies inventory	50,446	-	17,156	67,602
Reserved for property tax unavailable for appropriation	744,642	-	85,102	829,744
Reserved for prepayments	50,664	-	1,019	51,683
Unreserved, undesignated (deficit), reported in:				
General fund	(372,807)	-	-	(372,807)
Special revenue funds	-	-	150,530	150,530
Debt service funds	-	-	233,415	233,415
Capital projects funds	-	6,099	(34,310)	(28,211)
<i>Total fund balances</i>	<u>797,983</u>	<u>2,516,120</u>	<u>514,731</u>	<u>3,828,834</u>
<i>Total liabilities and fund balances</i>	<u>\$ 7,551,247</u>	<u>\$ 2,809,330</u>	<u>\$ 1,276,221</u>	<u>\$ 11,636,798</u>

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, 2004

Total governmental fund balances		\$ 3,828,834
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,279,143
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 215,657	
Intergovernmental revenue	<u>12,290</u>	
		227,947
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	5,186,347	
Capital lease obligation	22,759	
Compensated absences	1,877,614	
Pension obligation payable	165,928	
Accrued interest payable	<u>20,315</u>	
		(7,272,963)
Unamortized premiums on bond issuances are not recognized in the funds.		(457,295)
Unamortized deferred amount on advance refunding is not recognized in the funds.		293,099
Unamortized bond issuance costs are not recognized in the funds.		<u>128,003</u>
<i>Net assets of governmental activities</i>		<u><u>\$ 6,026,768</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2004

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 5,012,099	\$ -	\$ 513,378	\$ 5,525,477
Tuition	6,375	-	-	6,375
Earnings on investments	22,937	28,115	164,406	215,458
Extracurricular	-	-	210,526	210,526
Charges for services	-	-	534,302	534,302
Classroom materials and fees	48,057	-	4,747	52,804
Contributions and donations	-	211,075	-	211,075
Other local revenues	508,413	-	83,772	592,185
Intergovernmental - intermediate	35,140	-	2,263	37,403
Intergovernmental - state	8,859,664	-	445,869	9,305,533
Intergovernmental - federal	-	-	1,223,947	1,223,947
<i>Total revenue</i>	<u>14,492,685</u>	<u>239,190</u>	<u>3,183,210</u>	<u>17,915,085</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,809,526	-	401,003	8,210,529
Special	1,619,497	-	687,178	2,306,675
Vocational	72,692	-	-	72,692
Other	60,641	-	-	60,641
Support Services:				
Pupil	945,576	-	135,046	1,080,622
Instructional staff	654,034	-	15,848	669,882
Board of education	29,845	-	-	29,845
Administration	1,440,626	-	165,821	1,606,447
Fiscal	417,660	-	13,515	431,175
Business	5,262	-	-	5,262
Operations and maintenance	1,596,080	-	9,455	1,605,535
Pupil transportation	900,641	-	17,321	917,962
Central	3,934	-	15,000	18,934
Operation of non-instructional services	-	-	13,247	13,247
Extracurricular activities	352,531	-	223,948	576,479
Facilities acquisition and construction	16,000	722,256	260,408	998,664
Intergovernmental pass through	-	-	60,370	60,370
Food service operations	-	-	875,497	875,497
Debt service:				
Principal retirement	42,254	-	192,156	234,410
Interest and fiscal charges	4,599	-	331,264	335,863
Bond issuance costs	-	-	131,757	131,757
<i>Total expenditures</i>	<u>15,971,398</u>	<u>722,256</u>	<u>3,548,834</u>	<u>20,242,488</u>
<i>Excess of revenues under expenditures</i>	<u>(1,478,713)</u>	<u>(483,066)</u>	<u>(365,624)</u>	<u>(2,327,403)</u>

(Continued)

**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, 2004
(Continued)

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Transfers in	-	-	47,855	47,855
Transfers (out)	(47,855)	-	-	(47,855)
Proceeds from sale of capital assets	73	-	-	73
Proceeds from sale of bonds	-	2,500,000	2,520,397	5,020,397
Premium on bonds sold	-	-	470,705	470,705
Payment to refunding bond escrow agent	-	-	(2,833,942)	(2,833,942)
<i>Total other financing sources (uses)</i>	<u>(47,782)</u>	<u>2,500,000</u>	<u>205,015</u>	<u>2,657,233</u>
<i>Net change in fund balances</i>	(1,526,495)	2,016,934	(160,609)	329,830
Fund balances at beginning of year	2,326,523	499,186	674,343	3,500,052
Increase (decrease) in reserve for inventory	(2,045)	-	997	(1,048)
<i>Fund balances at end of year</i>	<u>\$ 797,983</u>	<u>\$ 2,516,120</u>	<u>\$ 514,731</u>	<u>\$ 3,828,834</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, 2004

Net change in fund balances - total governmental funds	\$	329,830
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 (\$769,330) exceeds depreciation expense (\$628,925) in the current period.		140,405
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(1,048)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(81,494)
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		2,759,410
Proceeds of general obligation bonds are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		(5,020,397)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(457,295)
Deferred amounts on advance refundings are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		293,099
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		128,003
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(30,188)
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.		(156,057)
<i>Change in net assets of governmental activities</i>	\$	<u>(2,095,732)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 5,340,205	\$ 5,167,842	\$ 5,167,842	\$ -
Tuition	8,055	7,795	7,795	-
Earnings on investments	65,655	63,536	63,536	-
Classroom materials and fees	63,330	59,177	59,177	-
Other local revenues	530,908	512,961	512,961	-
Intergovernmental - state	9,155,158	8,859,664	8,859,664	-
<i>Total revenue</i>	<u>15,163,311</u>	<u>14,670,975</u>	<u>14,670,975</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,968,359	7,980,751	7,939,754	40,997
Special	1,565,425	1,567,859	1,559,805	8,054
Vocational	74,497	74,613	74,230	383
Other	79,373	79,496	79,088	408
Support Services:				
Pupil	956,793	958,281	953,358	4,923
Instructional staff	674,508	675,557	672,087	3,470
Board of education	30,742	30,790	30,632	158
Administration	1,488,322	1,490,637	1,482,980	7,657
Fiscal	444,324	445,015	442,729	2,286
Business	5,433	5,441	5,413	28
Operations and maintenance	1,631,658	1,634,195	1,625,800	8,395
Pupil transportation	911,051	912,468	907,781	4,687
Central	4,080	4,086	4,065	21
Extracurricular activities	362,240	362,803	360,939	1,864
Facilities acquisition and construction	16,590	16,616	16,531	85
<i>Total expenditures</i>	<u>16,213,395</u>	<u>16,238,608</u>	<u>16,155,192</u>	<u>83,416</u>
<i>Excess of revenues under expenditures</i>	<u>(1,050,084)</u>	<u>(1,567,633)</u>	<u>(1,484,217)</u>	<u>83,416</u>

(Continued)

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Refund of prior year expenditure	-	408	408	-
Transfers in	-	-	-	-
Transfers (out)	(545,040)	(545,888)	(47,855)	498,033
Advances in	60,787	60,787	60,787	-
Advances (out)	(49,929)	(50,007)	(49,750)	257
Proceeds from sale of capital assets	-	73	73	-
<i>Total other financing sources (uses)</i>	<u>(534,182)</u>	<u>(534,627)</u>	<u>(36,337)</u>	<u>498,290</u>
<i>Net change in fund balance</i>	(1,584,266)	(2,102,260)	(1,520,554)	581,706
Fund balance at beginning of year	2,407,756	2,407,756	2,407,756	-
Prior year encumbrances appropriated	484,611	484,611	484,611	-
<i>Fund balance at end of year</i>	<u>\$ 1,308,101</u>	<u>\$ 790,107</u>	<u>\$ 1,371,813</u>	<u>\$ 581,706</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, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 5,135	\$ 70,558
Receivables:		
Accounts	-	20
<i>Total assets</i>	5,135	\$ 70,578
Liabilities:		
Accounts payable	-	\$ 5,171
Intergovernmental payable	-	6,989
Due to students	-	58,418
<i>Total liabilities</i>	-	\$ 70,578
Net Assets:		
Held in trust for scholarships	5,135	
<i>Total net assets</i>	\$ 5,135	

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, 2004

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	<u>\$ 207</u>
<i>Total additions</i>	<u>207</u>
Deductions:	
Scholarships awarded	<u>275</u>
<i>Change in net assets</i>	(68)
Net assets at beginning of year	<u>5,203</u>
<i>Net assets at end of year</i>	<u><u>\$ 5,135</u></u>

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, 2004**

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 99 non-certified and 157 certified (including administrative) full-time and part-time employees to provide services to approximately 2,297 students in grades K through 12 and various community groups, which ranks it 235th out of 613 public 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 nonprogrammed services.

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 organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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 organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial

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

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

statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district 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 \$59,580 to NOECA in fiscal year 2004 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 district's 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 \$151,034 to Bay Area Council during fiscal year 2004 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.

Northwest Ohio Educational Research Council

The Northwest Ohio Educational Research Council serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational

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

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

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 Northwest Ohio Educational Research Council is David G. Elsass, 806 Cherry Hill Drive, Bowling Green, Ohio 43402.

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.

PUBLIC ENTITY RISK POOL

Ohio Association of School Business Officials 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 Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. During fiscal 2004, the District paid \$2,569 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.

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Building Fund - A fund used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for 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 the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than

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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.

D. Basis of Accounting

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

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

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

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

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

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claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the 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.

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/special cost center/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

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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 special cost center 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.

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 are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to nonnegotiable certificates of deposits, federal agency securities, and investments in the State Treasury Asset 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.

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

Under existing Ohio statutes all investment 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 2004 amounted to \$22,937, which includes \$10,430 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.

G. Inventory

On government-wide and fund financial statements, inventories are presented at cost 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 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 deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. The District does not have 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 and construction-in-progress 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:

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Description	Governmental Activities Estimated Lives
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 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, 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.

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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, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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.

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 amounts required by state statute to be set-aside for instructional materials and capital acquisition. As of June 30, 2004, the District has no restricted assets required to be set-aside. See Note 17 for additional information regarding set-asides.

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Q. Interfund Activity

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

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 school 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.

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 2004.

3. ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

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

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	<u>Deficit</u>
Nonmajor Governmental Funds	
Permanent Improvement	\$ 8,837
Management Information Systems	69
DPIA	255
Alternative Schools	261
Title VI-B	3,223
Title I	26,193
Drug Free Schools	23
Improving Teacher Quality	19,477

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.

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.

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 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;

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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);

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 \$127 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 Reverse Repurchase Agreements*".

Deposits: At year-end, the carrying amount of the District's deposits was \$1,834,547 and the bank balance was \$2,124,477. Both of these amounts include \$1,315,062 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$302,384 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$944,450 was covered by irrevocable lines of credit or by collateral held by a qualified third party in the name of the District; and
3. \$877,643 was uninsured and unregistered because it was covered by collateral held by a third party trustee pursuant to section 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with the District's depositories and not in the name of the District.

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Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

	Category 1	Category 2	Fair Value
Federal agency securities	\$ 5,000	\$ 3,406,933	\$ 3,411,933
Total	<u>\$ 5,000</u>	<u>\$ 3,406,933</u>	
Investment in STAR Ohio			34,384
Total investments			<u>\$ 3,446,317</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:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 5,280,991	\$ -
Investments of the cash management pool:		
Federal agency securities	(3,406,933)	3,406,933
U.S. savings bonds	(5,000)	5,000
Investment in STAR Ohio	(34,384)	34,384
Cash on hand	(127)	-
GASB Statement No. 3	<u>\$ 1,834,547</u>	<u>\$ 3,446,317</u>

5. INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2004, as reported on the fund statement:

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<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 49,749</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, 2004, consisted of the following, as reported on the fund statements:

Transfers from general fund to:	
Nonmajor governmental funds	<u>\$ 47,855</u>

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.

6. PROPERTY TAXES

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

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

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

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

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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, 2004, are available to finance fiscal year 2004 operations. The amount available as an advance at June 30, 2004 was \$744,642 in the general fund, \$57,545 in the Bond Retirement debt service fund, and \$27,557 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2003 was \$900,385 in the general fund, \$45,019 in the Bond Retirement debt service fund, and \$34,630 in the Permanent Improvement 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, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

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

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	148,046,070	77.53%	165,839,450	79.42%
Public Utility Personal	6,955,670	3.64%	7,515,850	3.60%
Tangible Personal Property	35,942,156	18.83%	35,463,161	16.98%
<i>Total</i>	<u>\$ 190,943,896</u>	<u>100.00%</u>	<u>\$ 208,818,461</u>	<u>100.00%</u>
			208,818,461	
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 43.10		\$ 45.10	
Permanent improvements	1.50		1.50	
Debt service	1.50		1.50	

7. RECEIVABLES

Receivables at June 30, 2004 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:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Governmental Activities	
Taxes	\$ 6,171,012
Accounts	1,094
Accrued interest	12,928
Intergovernmental	<u>77,432</u>
<i>Total</i>	<u><u>\$ 6,262,466</u></u>

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

8. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, 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 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 2004 fiscal year totaled \$42,254. 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, 2004.

<u>Year Ending June 30</u>	<u>Exercise Equipment</u>
2005	\$ 23,427
Less: amount representing interest	<u>(668)</u>
Present value of minimum lease payments	<u><u>\$ 22,759</u></u>

9. CAPITAL ASSETS

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

	Balance 07/01/03	Additions	Deductions	Balance 06/30/04
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 423,960	\$ -	\$ -	\$ 423,960
Construction in progress	-	426,546	-	426,546
<i>Total capital assets, not being depreciated</i>	<u>423,960</u>	<u>426,546</u>	<u>-</u>	<u>850,506</u>
Capital assets, being depreciated:				
Improvements other than buildings	1,104,750	8,430	-	1,113,180
Buildings and improvements	20,807,822	83,585	-	20,891,407
Furniture and equipment	1,343,806	195,088	-	1,538,894
Vehicles	1,257,055	55,681	(58,613)	1,254,123
<i>Total capital assets, being depreciated</i>	<u>24,513,433</u>	<u>342,784</u>	<u>(58,613)</u>	<u>24,797,604</u>
Less: accumulated depreciation				
Improvements other than buildings	(318,995)	(59,932)	-	(378,927)
Buildings and improvements	(13,758,906)	(384,012)	-	(14,142,918)
Furniture and equipment	(700,770)	(118,070)	-	(818,840)
Vehicles	(1,019,984)	(66,911)	58,613	(1,028,282)
Total accumulated depreciation	<u>(15,798,655)</u>	<u>(628,925)</u>	<u>58,613</u>	<u>(16,368,967)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 9,138,738</u>	<u>\$ 140,405</u>	<u>\$ -</u>	<u>\$ 9,279,143</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 414,122
Special	2,709
Support Services:	
Pupil	721
Instructional staff	11,818
Administration	1,485
Fiscal	896
Operations and maintenance	31,818
Pupil transportation	70,045
Central	5,714
Operation of non-instructional	1,553
Extracurricular activities	72,440
Food service operations	15,604
<i>Total depreciation expense</i>	<u>\$ 628,925</u>

10. LONG-TERM OBLIGATIONS

- A. During the fiscal year ended June 30, 2004, 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.

**CLYDE-GREEN SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

	Balance at 07/01/03	Increases	Decreases	Balance at 06/30/04	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Current interest					
school improvement bonds, series 1995	\$ 2,810,000	\$ -	\$ (2,615,000)	\$ 195,000	\$ 95,000
Current interest					
refunding bonds, series 2004	-	4,790,000	(55,000)	4,735,000	135,000
Capital appreciation					
refunding bonds, series 2004	-	230,397	-	230,397	-
Capital appreciation					
refunding bonds, accreted interest	-	25,950	-	25,950	-
Energy conservation bonds, series 1994	47,156	-	(47,156)	-	-
<i>Total general obligation bonds</i>	<u>2,857,156</u>	<u>5,046,347</u>	<u>(2,717,156)</u>	<u>5,186,347</u>	<u>230,000</u>
Other Long-Term Obligations:					
Capital lease obligation	65,013	-	(42,254)	22,759	22,759
Compensated absences	1,776,431	327,772	(130,600)	1,973,603	140,307
<i>Total other long-term obligations</i>	<u>1,841,444</u>	<u>327,772</u>	<u>(172,854)</u>	<u>1,996,362</u>	<u>163,066</u>
<i>Total governmental activities</i>	<u>\$ 4,698,600</u>	<u>\$ 5,374,119</u>	<u>\$ (2,890,010)</u>	7,182,709	<u>\$ 393,066</u>
Add: Unamortized premium on bonds				457,295	
Less: Unamortized deferred amount on refunding				(293,099)	
<i>Total long-term obligations</i>				<u>\$ 7,346,905</u>	

Current interest school improvement bonds, series 1995: The general obligation bonds, series 1995, were issued on January 15, 1995 in the amount of \$3,400,000 and with interest rates ranging from 4.80 percent to 7.00 percent. They were issued in order to provide funds for improvements and an addition to the high school. The bonds are rated "AAA" with MBIA insurance and carry an underlying "A" rating from Moody's Investor Services. During fiscal 2004, the District advance refunded \$2,615,000 of the current interest school improvement bonds, series 1995.

Refunding bonds, series 2004: On August 15, 2003, the District issued general obligation bonds in order to advance refund \$2,615,000 of the current interest school improvement bonds, series 1995. Proceeds of the issuance were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$308,942. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 16 years. The net present value savings of the refunding was \$159,494.

The refunding issue is comprised of both current interest bonds, par value \$4,790,000, and capital appreciation bonds, par value \$230,397. The interest rates on the current interest bonds range from 2.00 percent to 4.40 percent. The capital appreciation bonds mature on

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December 1, of 2014, 2015, 2016, and 2017 (stated interest rate of 14.00 percent) at a redemption price equal to 100 percent of the principal plus accreted interest to the redemption date. The present value (as of the issue date) reported on the statement of net assets at June 30, 2004 is \$25,950.

The current interest bonds maturing after December 1, 2013 are subject to early redemption at the option of the District and at redemption prices equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity of the current interest bonds is December 1, 2032.

Energy conservation bonds, series 1994: The energy conservation bonds, series 1994, were issued in fiscal year 1994 in the amount of \$753,813 and carry an interest rate of 5.15 percent. They have been issued in order to provide for energy improvements to District buildings. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. The source of payment is derived through the energy savings attained as a result of the energy improvements. During fiscal 2004, the energy conservation bonds, Series 1994, were retired.

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2004, are as follows:

Year Ended	Current Interest Bonds, Series 1995		
	Principal	Interest	Total
2005	\$ 95,000	\$ 21,015	\$ 116,015
2006	100,000	15,600	115,600
<i>Total</i>	<u>\$ 195,000</u>	<u>\$ 36,615</u>	<u>\$ 231,615</u>

Year Ended	Current Interest Bonds, Series 2004			Capital Appreciation Bonds, Series 2004		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 135,000	\$ 184,290	\$ 319,290	\$ -	\$ -	\$ -
2006	135,000	181,590	316,590	-	-	-
2007	255,000	177,563	432,563	-	-	-
2008	255,000	171,570	426,570	-	-	-
2009	265,000	164,346	429,346	-	-	-
2010 - 2014	1,455,000	677,768	2,132,768	-	-	-
2015 - 2019	320,000	531,310	851,310	230,397	1,054,603	1,285,000
2020 - 2024	715,000	369,500	1,084,500	-	-	-
2025 - 2029	600,000	233,006	833,006	-	-	-
2030 - 2033	600,000	63,293	663,293	-	-	-
<i>Total</i>	<u>\$ 4,735,000</u>	<u>\$ 2,754,236</u>	<u>\$ 7,489,236</u>	<u>\$ 230,397</u>	<u>\$ 1,054,603</u>	<u>\$ 1,285,000</u>

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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, 2004 are a voted debt margin of \$13,898,272 (including available funds of \$290,960), an unvoted debt margin of \$208,818, and an unvoted energy conservation debt margin of \$1,879,366.

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 (1¼) 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.

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

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(Continued)

member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.

C. Workers' Compensation

For fiscal year 2004, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria.

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 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$215,629, \$310,165, and \$301,733, respectively; 30.72 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$230,066 represents the unpaid contribution for fiscal year 2004.

B. State Teachers Retirement System

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

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

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

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,076,700, \$1,093,395, and \$1,036,226, respectively; 75.71 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$198,780 represents the unpaid contribution for fiscal year 2004.

C. Social Security System

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$82,823 during fiscal 2004.

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

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

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

The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$147,838 during the 2004 fiscal year.

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.

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

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

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (1,520,554)
Net adjustment for revenue accruals	(178,290)
Net adjustment for expenditure accruals	(334,448)
Net adjustment for other sources/uses	(11,445)
Adjustment for encumbrances	518,242
GAAP basis	\$ (1,526,495)

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.

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C. State School Funding Decision

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

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

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.

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.

	Instructional Materials	Capital Acquisition	Budget Stabilization	
			Designated	Reserved
Set-aside cash balance as of June 30, 2003	\$ (667,018)	\$ -	\$ 427,426	\$ 67,853
Current year set-aside requirement	298,895	298,895	-	-
Qualifying disbursements	(427,757)	(649,647)	(427,426)	(67,853)
Total	<u>\$ (795,880)</u>	<u>\$ (350,752)</u>	<u>\$ -</u>	<u>\$ -</u>
Balance carried forward to FY 2005	<u>\$ (795,880)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Budget stabilization amounts represent Bureau of Workers' Compensation (BWC) refunds that were received prior to April 10, 2001. The balance in the budget stabilization designation at June 30, 2004, was \$0. The District is still required by state law to maintain the instructional materials reserve and the capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carrier forward to the next fiscal year.

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

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass- Through Grant Number
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through the Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution	10.550	
National School Breakfast Program	10.553	05PU-03 05PU-04
<i>Total - National School Breakfast</i>		
National School Lunch	10.555	LLP1-03 LLP1-04 LLP4-03 LLP4-04
<i>Total - National School Lunch</i>		
Summer School Program for Children	10.559	23PU-03 24PU-03
<i>Total - Summer School Program for Children</i>		
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	6BSD-03P 6BSD-04P 6BSF-04
<i>Total - IDEA</i>		
Title I - Grant to Local Education Agencies	84.010	C1S1-03 C1S1-04
<i>Total - Title I</i>		
Innovative Educational Program Strategy	84.298	C2S1-03 C2S1-04
<i>Total - Innovative Educational Program</i>		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 76,712		\$ 76,712
\$ 831		\$ 831	
7,430		7,430	
<u>8,261</u>		<u>8,261</u>	
331		331	
2,048		2,048	
50,630		50,630	
136,843		136,843	
<u>189,852</u>		<u>189,852</u>	
7,740		7,740	
800		800	
<u>8,540</u>		<u>8,540</u>	
206,653	76,712	206,653	76,712
32,845		40,430	
35,192		35,192	
311,500		311,500	
<u>379,537</u>		<u>387,122</u>	
43,692		29,562	
216,639		227,286	
<u>260,331</u>		<u>256,848</u>	
(423)		2,219	
13,267		8,459	
<u>12,844</u>		<u>10,678</u>	

(Continued)

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

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass- Through Grant Number
Drug Free Schools	84.186	DRS1-03 DRS1-04
<i>Total Drug Free Schools</i>		
Community Service Grant	84.184C	T4S1-04
Title VI-B, 21st Century Living	84.287	T1S1-03 T1S1-04
<i>Total Title VI-B, 21st Century Living</i>		
Title II - D Technology Fund	84.318	TJS1-03 TJS1-04
<i>Total Title II-D Technology Fund</i>		
Title II - A	84.367	TRS1-03 TRS1-04
<i>Total Title II - A</i>		
Total Department of Education		
TOTAL FEDERAL ASSISTANCE		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
1,187		1,534	
9,611		9,611	
<u>10,798</u>		<u>11,145</u>	
3,060		2,768	
		42,483	
<u>140,274</u>		<u>140,274</u>	
<u>140,274</u>		<u>182,757</u>	
		676	
5,504		7,151	
<u>5,504</u>		<u>7,827</u>	
18,181		13,836	
<u>133,302</u>		<u>133,302</u>	
<u>151,483</u>		<u>147,138</u>	
<u>963,831</u>		<u>1,006,283</u>	
<u>\$ 1,170,484</u>	<u>\$ 76,712</u>	<u>\$ 1,212,936</u>	<u>\$ 76,712</u>

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clyde-Green Springs Exempted Village School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 22, 2005, we reported other matters involving internal control over financial reporting.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Clyde-Green Springs Exempted Village School District
Sandusky County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

March 22, 2005



Auditor of State Betty Montgomery

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

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, Sandusky County, Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over

compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Betty Montgomery
Auditor of State

March 22, 2005

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

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	<u>Nutrition Cluster</u> (CFDA #10.550, 10.553, 10.555, 10.559) Title I – Grant to Local Education Agencies (CFDA #84.010)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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**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
APRIL 12, 2005**