



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Gibsonburg Exempted Village School District  
Sandusky County  
300 South Harrison Street  
Gibsonburg, Ohio 43431-1290

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Gibsonburg Exempted Village School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gibsonburg Exempted Village School District, Sandusky County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 3, 2002

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$2,750,759	\$302,906	\$323,676	\$10,544,880
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	1,900,588	43,443	33,325	562,578
Accounts	11,881			
Accrued interest	576			
Interfund loan receivable	31,488			
Due from other governments		29,288		14,509,113
Materials and supplies inventory				
Prepayments	9,360	125		
Restricted assets:				
Equity in pooled cash and cash equivalents	313,526			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other debits:</b>				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
<b>Total assets and other debits</b>	<b><u>\$5,018,178</u></b>	<b><u>\$375,762</u></b>	<b><u>\$357,001</u></b>	<b><u>\$25,616,571</u></b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$146,836	\$40,390			\$14,109,447
	68,975			68,975
				2,539,934
205				12,086
				576
				31,488
10,074				14,548,475
6,449				6,449
				9,485
				313,526
18,725		\$6,275,912		6,294,637
			\$330,017	330,017
			5,823,571	5,823,571
<b>\$182,289</b>	<b>\$109,365</b>	<b>\$6,275,912</b>	<b>\$6,153,588</b>	<b>\$44,088,666</b>

(Continued)

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002  
(Continued)

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$16,630	\$2,426		\$643
Accrued wages and benefits	528,684	39,160		
Compensated absences payable	15,349			
Pension obligation payable	100,370	12,148		
Interfund loan payable		29,288		
Deferred revenue	1,464,629	36,680	\$26,984	14,944,386
Due to other governments	22,603	2,440		
Due to students				
Energy conservation notes payable				
General obligation bonds payable				
Total liabilities	2,148,265	122,142	26,984	14,945,029
<b>Equity and other credits:</b>				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	210,963	28,112		2,489
Reserved for prepayments	9,360	125		
Reserved for bus purchase allowance	43,051			
Reserved for tax revenue unavailable for appropriation	435,959	11,609	6,341	127,305
Reserved for budget stabilization	29,274			
Reserved for instructional materials	241,201			
Reserved for debt service			323,676	
Reserved for principal endowment				
Unreserved-undesignated	1,900,105	213,774		10,541,748
Total equity and other credits	2,869,913	253,620	330,017	10,671,542
<b>Total liabilities, equity and other credits</b>	<b>\$5,018,178</b>	<b>\$375,762</b>	<b>\$357,001</b>	<b>\$25,616,571</b>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$462	\$95			\$20,256
18,039				585,883
			\$343,415	358,764
7,332			50,466	170,316
2,200				31,488
4,615				16,477,294
763				25,806
	36,962			36,962
			64,334	64,334
			5,695,373	5,695,373
33,411	37,057		6,153,588	23,466,476
		\$6,275,912		6,275,912
148,878				148,878
	83			241,647
				9,485
				43,051
				581,214
				29,274
				241,201
				323,676
	53,043			53,043
	19,182			12,674,809
148,878	72,308	6,275,912		20,622,190
<b>\$182,289</b>	<b>\$109,365</b>	<b>\$6,275,912</b>	<b>\$6,153,588</b>	<b>\$44,088,666</b>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
From local sources:		
Taxes	\$2,227,972	\$42,640
Tuition	29,250	
Earnings on investments	130,818	1,233
Extracurricular		111,715
Other local revenues	54,407	5,721
Other revenue		
Intergovernmental - State	4,759,339	161,218
Intergovernmental - Federal		349,104
Total revenues	<u>7,201,786</u>	<u>671,631</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	3,370,581	141,898
Special	421,205	157,166
Vocational	104,268	
Other	11,394	
Support services:		
Pupil	259,337	48,911
Instructional staff	88,842	29,066
Board of Education	29,812	
Administration	705,106	55,384
Fiscal	174,753	657
Business	6,313	
Operations and maintenance	588,183	11,838
Pupil transportation	394,267	1,765
Central	691	110
Community services	71,158	4,694
Extracurricular activities	144,912	102,491
Facilities acquisition and construction		
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	<u>6,370,822</u>	<u>553,980</u>
Excess of revenues over (under) expenditures	<u>830,964</u>	<u>117,651</u>
<b>Other financing sources (uses):</b>		
Operating transfers out	(500,000)	
Operating transfers in		
Proceeds from sale of fixed assets	1,195	
Total other financing sources (uses)	<u>(498,805)</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	332,159	117,651
Fund balances, July 1	<u>2,537,754</u>	<u>135,969</u>
<b>Fund balances, June 30</b>	<u><b>\$2,869,913</b></u>	<u><b>\$253,620</b></u>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$512,622	\$167,987		\$2,951,221
			29,250
11,466	414,203	\$148	557,868
			111,715
			60,128
		2,257	2,257
30,979	3,784,563		8,736,099
			349,104
<u>555,067</u>	<u>4,366,753</u>	<u>2,405</u>	<u>12,797,642</u>
	2,075		3,514,554
			578,371
	46,710		104,268
			58,104
			308,248
		32	117,940
			29,812
			760,490
9,203	879		185,492
			6,313
			600,021
			396,032
	19,359		20,160
		2,953	78,805
			247,403
	360,104		360,104
164,123			164,123
<u>252,647</u>	<u>48,108</u>		<u>300,755</u>
<u>425,973</u>	<u>477,235</u>	<u>2,985</u>	<u>7,830,995</u>
<u>129,094</u>	<u>3,889,518</u>	<u>(580)</u>	<u>4,966,647</u>
			(500,000)
	500,000		500,000
			1,195
	<u>500,000</u>		<u>1,195</u>
129,094	4,389,518	(580)	4,967,842
200,923	6,282,024	3,913	9,160,583
<u>\$330,017</u>	<u>\$10,671,542</u>	<u>\$3,333</u>	<u>\$14,128,425</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
From local sources:			
Taxes	\$1,769,225	\$1,802,589	\$33,364
Tuition	28,500	29,250	750
Earnings on investments	137,731	130,243	(7,488)
Extracurricular			
Other local revenues	20,070	41,676	21,606
Intergovernmental - State	4,445,882	4,759,339	313,457
Intergovernmental - Federal			
Total revenues	<u>6,401,408</u>	<u>6,763,097</u>	<u>361,689</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,810,590	3,401,550	409,040
Special	588,645	417,866	170,779
Vocational	116,335	102,637	13,698
Other	31,698	22,613	9,085
Support services:			
Pupil	313,096	273,188	39,908
Instructional staff	201,913	166,607	35,306
Board of Education	57,700	52,129	5,571
Administration	841,262	750,294	90,968
Fiscal	187,297	180,347	6,950
Business	6,500	6,319	181
Operations and maintenance	1,088,779	624,256	464,523
Pupil transportation	432,441	411,358	21,083
Central	1,919	1,161	758
Community services	103,314	77,432	25,882
Extracurricular activities	171,285	145,304	25,981
Facilities acquisition and construction	5,000		5,000
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>7,957,774</u>	<u>6,633,061</u>	<u>1,324,713</u>
Excess of revenues over (under) expenditures	<u>(1,556,366)</u>	<u>130,036</u>	<u>1,686,402</u>
<b>Other financing sources (uses):</b>			
Proceeds from Notes			
Advances in		35,038	35,038
Advances out		(31,488)	(31,488)
Operating transfers in	200,000	266,689	66,689
Operating transfers out	(766,689)	(766,689)	
Proceeds from sale of fixed assets		1,195	1,195
Refund of prior year's receipts			
Refund of prior year expenditure		2,892	2,892
Total other financing sources (uses)	<u>(566,689)</u>	<u>(492,363)</u>	<u>74,326</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(2,123,055)</u>	<u>(362,327)</u>	<u>1,760,728</u>
Fund balances, July 1	3,013,793	3,013,793	
Prior year encumbrances appropriated	184,970	184,970	
<b>Fund balances, June 30</b>	<b><u>\$1,075,708</u></b>	<b><u>\$2,836,436</u></b>	<b><u>\$1,760,728</u></b>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$14,090	\$31,227	\$17,137	\$271,104	\$509,041	\$237,937
1,010	1,233	223	2,000	11,466	9,466
109,800	111,715	1,915			
3,350	5,721	2,371			
155,555	161,218	5,663		30,979	30,979
363,283	324,662	(38,621)			
647,088	635,776	(11,312)	273,104	551,486	278,382
175,096	140,493	34,603			
227,212	153,488	73,724			
58,692	49,186	9,506			
56,313	29,129	27,184			
58,659	55,321	3,338			
875	656	219	10,800	9,203	1,597
14,420	11,638	2,782			
3,438	2,402	1,036			
111	111				
8,562	6,148	2,414			
155,494	129,245	26,249			
			164,123	164,123	
			264,710	261,908	2,802
758,872	577,817	181,055	439,633	435,234	4,399
(111,784)	57,959	169,743	(166,529)	116,252	282,781
			5,977,000		(5,977,000)
	29,288	29,288			
	(31,913)	(31,913)			
(8,908)	(8,908)				
(8,908)	(11,533)	(2,625)	5,977,000		(5,977,000)
(120,692)	46,426	167,118	5,810,471	116,252	(5,694,219)
178,346	178,346		207,424	207,424	
47,208	47,208				
<b>\$104,862</b>	<b>\$271,980</b>	<b>\$167,118</b>	<b>\$6,017,895</b>	<b>\$323,676</b>	<b>(\$5,694,219)</b>

(Continued)

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)

	<b>Capital Projects</b>		
	<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$25,919	\$40,912	\$14,993
Tuition			
Earnings on investments	46,900	414,203	367,303
Extracurricular			
Other local revenues	15,000		(15,000)
Intergovernmental - State	548,881	3,737,854	3,188,973
Intergovernmental - Federal			
Total revenues	<u>636,700</u>	<u>4,192,969</u>	<u>3,556,269</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,075	2,075	
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff			
Board of Education			
Administration			
Fiscal	1,600	879	721
Business			
Operations and maintenance	25,700		25,700
Pupil transportation			
Central	22,061	19,376	2,685
Community services			
Extracurricular activities			
Facilities acquisition and construction	648,707	366,811	281,896
Debt service:			
Principal retirement	5,779,000	5,779,000	
Interest and fiscal charges	198,988	198,988	
Total expenditures	<u>6,678,131</u>	<u>6,367,129</u>	<u>311,002</u>
Excess of revenues over (under) expenditures	<u>(6,041,431)</u>	<u>(2,174,160)</u>	<u>3,867,271</u>
<b>Other financing sources (uses):</b>			
Proceeds from Notes			
Advances in			
Advances out			
Operating transfers in	500,000	500,000	
Operating transfers out			
Proceeds from sale of fixed assets			
Refund of prior year's receipts			
Refund of prior year expenditure			
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(5,541,431)</u>	<u>(1,674,160)</u>	<u>3,867,271</u>
Fund balances, July 1	12,204,027	12,204,027	
Prior year encumbrances appropriated	11,881	11,881	
<b>Fund balances, June 30</b>	<b><u>\$6,674,477</u></b>	<b><u>\$10,541,748</u></b>	<b><u>\$3,867,271</u></b>

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



<b>Total (Memorandum only)</b>		
<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$2,080,338	\$2,383,769	\$303,431
28,500	29,250	750
187,641	557,145	369,504
109,800	111,715	1,915
38,420	47,397	8,977
5,150,318	8,689,390	3,539,072
363,283	324,662	(38,621)
<u>7,958,300</u>	<u>12,143,328</u>	<u>4,185,028</u>
3,987,761	3,544,118	443,643
815,857	571,354	244,503
116,335	102,637	13,698
31,698	22,613	9,085
371,788	322,374	49,414
258,226	195,736	62,490
57,700	52,129	5,571
899,921	805,615	94,306
200,572	191,085	9,487
6,500	6,319	181
1,128,899	635,894	493,005
435,879	413,760	22,119
24,091	20,648	3,443
111,876	83,580	28,296
326,779	274,549	52,230
653,707	366,811	286,896
5,943,123	5,943,123	
463,698	460,896	2,802
<u>15,834,410</u>	<u>14,013,241</u>	<u>1,821,169</u>
<u>(7,876,110)</u>	<u>(1,869,913)</u>	<u>6,006,197</u>
5,977,000		(5,977,000)
	64,326	64,326
	(63,401)	(63,401)
700,000	766,689	66,689
(766,689)	(766,689)	
	1,195	1,195
(8,908)	(8,908)	
	2,892	2,892
<u>5,901,403</u>	<u>(3,896)</u>	<u>(5,905,299)</u>
(1,974,707)	(1,873,809)	100,898
15,603,590	15,603,590	
244,059	244,059	
<u><b>\$13,872,942</b></u>	<u><b>\$13,973,840</b></u>	<u><b>\$100,898</b></u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>			
Tuition and fees	\$38,974		\$38,974
Sales/charges for services	194,162		194,162
Investment earnings		\$2,484	2,484
	<u>233,136</u>	<u>2,484</u>	<u>235,620</u>
<b>Operating expenses:</b>			
Personal services	155,161		155,161
Contract services	5,550		5,550
Materials and supplies	191,251		191,251
Depreciation	2,009		2,009
Other	49		49
	<u>354,020</u>		<u>354,020</u>
Operating income (loss)	<u>(120,884)</u>	<u>2,484</u>	<u>(118,400)</u>
<b>Nonoperating revenues:</b>			
Operating grants	91,183		91,183
Federal commodities	37,647		37,647
Interest revenue	4,412		4,412
	<u>133,242</u>		<u>133,242</u>
Net income	12,358	2,484	14,842
Retained earnings/fund balance, July 1	<u>136,520</u>	<u>66,491</u>	<u>203,011</u>
<b>Retained earnings/fund balance, June 30</b>	<b><u><u>\$148,878</u></u></b>	<b><u><u>\$68,975</u></u></b>	<b><u><u>\$217,853</u></u></b>

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees	\$39,230		\$39,230
Cash received from sales/service charges	194,162		194,162
Cash payments for personal services	(165,199)		(165,199)
Cash payments for contract services	(5,239)		(5,239)
Cash payments for materials and supplies	(154,898)		(154,898)
Cash payments for other expenses	(198)		(198)
Net cash used in operating activities	<u>(92,142)</u>		<u>(92,142)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from interfund loan	2,200		2,200
Cash received from operating grants	81,286		81,286
Net cash provided by noncapital financing activities	<u>83,486</u>		<u>83,486</u>
<b>Cash flows from investing activities:</b>			
Interest received	4,412	\$2,484	6,896
Net cash provided by investing activities	<u>4,412</u>	<u>2,484</u>	<u>6,896</u>
Net increase (decrease) in cash and cash equivalents	(4,244)	2,484	(1,760)
Cash and cash equivalents at beginning of year	<u>151,080</u>	<u>66,491</u>	<u>217,571</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$146,836</u></b>	<b><u>\$68,975</u></b>	<b><u>\$215,811</u></b>

(Continued)

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>			
Operating income (loss)	(\$120,884)	\$2,484	(\$118,400)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	2,009		2,009
Federal donated commodities	37,647		37,647
Interest reported as operating income		(2,484)	(2,484)
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(1,592)		(1,592)
Decrease in accounts receivable	256		256
Decrease in accounts payable	(1,314)		(1,314)
Increase in accrued wages and benefits	240		240
Decrease in compensated absences payable	(7,515)		(7,515)
Decrease in pension obligation payable	(3,526)		(3,526)
Increase in due to other governments	763		763
Increase in deferred revenue	1,774		1,774
<b>Net cash used in operating activities</b>	<b><u>(\$92,142)</u></b>		<b><u>(\$92,142)</u></b>

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

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

The District currently operates one elementary school and one comprehensive high school. The District employs 43 non-certified and 87 certified (including administrative) full-time and part-time employees to provide services to approximately 1,244 students in grades K through 12 and various community groups, which ranks it 433<sup>rd</sup> out of approximately 705 public and community school districts in Ohio.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northwestern Ohio Educational Research Council, Inc.

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

Bay Area Council of Governments (BACG)

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

Vanguard Sentinel Career Centers

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

Northern Ohio Educational Computer Association

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

The San-Ott School Employees Welfare Benefit Association

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

**B. Fund Accounting**

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

GOVERNMENTAL FUNDS

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

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues.

Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

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

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

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination.
3. Prior to April 1st, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with school district funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 11 to the financial statements.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

By policy of the Board of Education, investment earnings are assigned to the general fund, debt service fund, permanent improvements fund, building fund, classroom maintenance fund, food service fund, special trust funds, endowment fund, district managed activity fund, and student managed activity fund. The general fund was credited more interest than would have been received based upon its share of the District's investments during fiscal 2002. The general fund received \$130,818 in interest which includes \$15,027 assigned from other funds. An analysis of the Treasurer's investment account at fiscal year-end is provided in Note 4.

**F. Inventory**

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

**G. Prepays**

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

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	8 - 20

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**I. Compensated Absences**

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments (the District's requirement of 8 years' service in the District supercedes each retirement system's minimum criteria for retirement eligibility), as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least fifty (50) years of age, with at least eight (8) years of service, or twenty (20) years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**J. Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources.

Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepayments, budget stabilization, instructional materials, bus

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

purchase allowance, and tax revenue unavailable for appropriation. In addition, although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portion of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**L. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Restricted assets also include monies received from the state that are restricted for school bus purchases. Fund balance reserves have also been established for instructional materials and budget stabilization (see Note 16).

**N. Estimates**

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

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**O. Memorandum Only - Total Columns**

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

**P. Intergovernmental Revenues**

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

**Entitlements**

General Fund

State Foundation Program  
State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

**Reimbursable Grants**

General Fund

School Bus Purchases

Special Revenue Funds

Telecommunications (E-rate)  
Underground Storage Tank

Proprietary Funds

National School Lunch Program  
National School Milk Program

**Non-Reimbursable Grants**

Special Revenue Funds

Disadvantaged Pupil Program  
Teacher Development  
Management Information Systems  
Public School Preschool  
Data Communication for Schools  
Instructional Materials Subsidy

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Instructional Programs for Migrant Children  
Education for Economic Security  
Preschool for the Handicapped  
Title VI-B  
Title I  
Title VI  
Learn and Serve  
Summer Intervention

Capital Projects Funds

Technology Equity Grant  
Ohio School Facilities Commission Grant  
Video Distance Grant

Grants and entitlements amounted to approximately 71% of the District's operating revenue during the 2002 fiscal year.

**Q. Statement of Cash Flows**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2002 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit</u>
Extended Learning Opportunity	\$4
EHA Preschool Grants for the Handicapped	3
Reducing Class Size	264
Title VI-B	638
Title VI	1,461

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



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**B. Compliance**

Mosser Construction Company was awarded a contract by the Board of Education to construct an addition and renovation to the existing elementary school building for the Gibsonburg Exempted Village School District. Contrary to Ohio law, a board member, who is also an employee of this construction company, voted for awarding the contract to the Mosser Construction Company.

**C. Agency Funds**

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

<u>ASSETS</u>	
Accounts receivable	\$ 15
<u>LIABILITIES</u>	
Accounts payable	119

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home

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Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At year-end, the District had \$2,175 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$13,185,675 and the bank balance was \$13,376,522 (both amounts include \$538,324 in non-negotiable certificates of deposit). Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$13,176,522 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to § 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements

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

*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
Not subject to categorization:	
Investment in STAR Ohio	\$1,304,098

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$14,491,948	
Investments of the cash management pool:		
Investment in STAR Ohio	(1,304,098)	\$1,304,098
Cash on hand	(2,175)	
GASB Statement No. 3	\$13,185,675	\$1,304,098

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2002 consist of the following individual interfund loans receivable and payable:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$31,488	
<u>Special Revenue Funds</u>		
Title VI		\$4,178
Education for Economic Security		668
Title I		23,242
Drug - Free Schools Grant		1,200
<u>Enterprise Funds</u>		
Uniform School Supplies		2,200
Total	\$31,488	\$31,488

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**NOTE 6 - PROPERTY TAXES**

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

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

The assessed value upon which the 2002 taxes were collected was \$71,002,000. Agricultural/residential and public utility/minerals real estate represented 79.55% or \$56,481,800 of this total; Commercial and industrial real estate represented 7.90% or \$5,614,950 of this total, public utility tangible represented 5.70% or \$4,042,500 of this total and general tangible property represented 6.85% or \$4,862,750 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$43.60 per \$1,000 of assessed valuation for operations, \$1.00 per \$1,000 of assessed valuation for permanent improvements and \$7.00 per \$1,000 of assessed valuation for debt service and \$.5 per \$1,000 of assessed valuation for capital maintenance.

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002

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totaled \$435,959 in the general fund; \$11,609 in the special revenue funds; \$6,341 in the debt service fund; and \$127,305 in the capital projects funds.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	Amounts
<u>General Fund</u>	
Taxes - current and delinquent	\$1,900,588
Accounts	11,881
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	43,443
Due from other governments	29,288
<u>Debt Service Fund</u>	
Taxes - current and delinquent	33,325
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	562,578
Due from other governments	14,509,113
<u>Enterprise Funds</u>	
Due from other governments	10,074

**NOTE 8 - FIXED ASSETS**

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

	Balance 7/1/01	Additions	Deletions	Balance 6/30/02
Land/improvements	\$769,426			\$769,426
Building/improvements	2,493,325			2,493,325
Furniture/equipment	2,030,881	\$258,696	(\$105,201)	2,184,376
Vehicles	488,407	111,232		599,639
Construction in progress	229,146			229,146
<b>Total</b>	<b>\$6,011,185</b>	<b>\$369,928</b>	<b>(\$105,201)</b>	<b>\$6,275,912</b>

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A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$101,694
Less: accumulated depreciation	<u>(82,969)</u>
Net fixed assets	<u><u>\$18,725</u></u>

**NOTE 9 - LONG-TERM DEBT**

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

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

This issue is comprised of term current interest bonds, par value \$3,340,000, serial current interest bonds, par value \$2,245,000, and capital appreciation bonds, par value \$530,000. The capital appreciation bonds mature December 1, 2012 and 2013, (effective interest 8.587 %,) at a redemption price equal to 100% of par value. The capital appreciation bonds were issued at a price of \$193,996. Total accreted interest of \$16,377 has been included in the general long-term obligations account group at June 30, 2002.

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

- B.** Energy conservation notes are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these obligations are accounted for in the general long-term debt obligations group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the general fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the debt from operating revenues. The energy conservation notes were issued on 1/15/93 and mature on 1/15/03 they bear an interest rate of 6.16%.
- C.** Principal and interest requirements to retire general obligation bonds and energy conservation notes outstanding at June 30, 2002, are as follows:

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Fiscal Year Ending June 30	General Obligation Term and Serial Bonds	Capital Appreciation General Obligation Bonds	Energy Conservation Notes	Total
2003	\$433,467		\$67,264	\$500,731
2004	432,708			432,708
2005	436,510			436,510
2006	434,685			434,685
2007	437,285			437,285
2008 - 2012	2,177,955			2,177,955
2013 - 2017	1,640,850	\$530,000		2,170,850
2018 - 2022	2,178,852			2,178,852
2023 - 2024	862,058			862,058
Total Obligation	9,034,370	530,000	67,264	9,631,634
Less: Interest	(3,549,370)	(319,627)	(2,930)	(3,871,927)
Total principal	<u>\$5,485,000</u>	<u>\$210,373</u>	<u>\$64,334</u>	<u>\$5,759,707</u>

- D. During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
Compensated absences	\$343,804	\$55,572	(\$55,961)	\$343,415
Energy conservation notes	128,457		(64,123)	64,334
General obligation bonds:				
Current Interest	5,585,000		(100,000)	5,485,000
Capital appreciation	195,399	14,974		210,373
Pension obligation	53,122	50,466	(53,122)	50,466
Total	<u>\$6,305,782</u>	<u>\$121,012</u>	<u>(\$273,206)</u>	<u>\$6,153,588</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that the total net indebtedness of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2002 are a voted debt margin of \$1,024,824 (including available funds of \$330,017) voted debt margin of \$71,002, and an unvoted energy conservation debt margin of \$574,684.

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**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

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

During fiscal year 2002, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability, fleet and property/ casualty insurance, which carried a \$1 million per occurrence/\$5 million annual aggregate limitation.

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2001.

**B. Group Health Insurance**

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

**C. Workers' Compensation**

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform supply sales. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.



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	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating revenue	\$192,382	\$40,754	\$233,136
Depreciation expense	2,009		2,009
Operating income/(loss)	(128,832)	7,948	(120,884)
Non-operating revenue:			
Operating grants	91,183		91,183
Federal commodities	37,647		37,647
Investment revenue	4,412		4,412
Net income	4,410	7,948	12,358
Net working capital	95,160	34,993	130,153
Total assets	145,096	37,193	182,289
Total liabilities	31,211	2,200	33,411
Total fund equity	113,885	34,993	148,878
Encumbrances outstanding as of 6/30/02	29,603	449	30,052

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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 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, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$43,377, \$35,024, and \$45,979, respectively; 37.44 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$27,137, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$348,987, \$327,972, and \$213,599, respectively; 82.19 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$62,171, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$165,310 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 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 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$81,707 during the 2002 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

	Excess) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
Budget basis	(\$362,327)	\$46,426	\$116,252	(\$1,674,160)
Net adjustment for revenue accruals	438,689	35,855	3,581	173,784
Net adjustment for expenditure accruals	34,390	(7,089)	9,261	5,886,762
Net adjustment for other financing sources/(uses)	(6,442)	11,533		
Adjustment for encumbrances	227,849	30,926		3,132
GAAP basis	\$332,159	\$117,651	\$129,094	\$4,389,518

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**B. School Funding Decision**

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set aside certain (cash basis) general fund revenue amounts as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE GENERAL - PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

	Instructional Materials	Capital Maintenance	Budget Stabilization
Balance July 1, 2001	\$122,327	\$246,135	\$29,274
Required set-aside	131,736	131,736	
Offsets		(31,228)	
Qualifying Expenditures	(12,862)	(364,391)	
Balance June 30, 2002	\$241,201	(\$17,748)	\$29,274
Carried forward to FY 03	\$241,201		\$29,274

The reserve for Budget Stabilization represents Bureau of Workers' Compensation refunds that were received prior to April 10, 2001, and have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required to maintain a textbook and capital maintenance set-aside.

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

A schedule of restricted assets at June 30, 2002, follows:

Amount restricted for school bus purchases	\$43,051
Amount restricted for textbooks	241,201
Amount restricted for BWC refunds	29,274
Total	\$313,526

**NOTE 17 – RELATED PARTY TRANSACTION**

A board of education member is an employee of a construction company which was awarded a contract by board of education to construct an addition and renovation to the existing elementary school building for the District.

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<i>Nutrition Cluster:</i>		
Food Distribution Program		10.550
National School Breakfast Program	045385 05-PU	10.553
National School Lunch Program	045385 LL-P1, LL-P4	10.555
Special Milk Program	045385 02-PU	10.556
Total Department of Agriculture - Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
<i>Special Education Cluster:</i>		
Special Education Grants to States (IDEA Part B)	045385 6B-SF	84.027
Special Education - Preschool Grant	045385 PG-S1	84.173
Total Special Education Cluster		
Migrant Education Basic State Grant program	FY 98 045385 MG-S1 FY 00 045385 MG-S1 FY 01 045385 MG-S1 FY 02 045385 MG-S1	84.011
Total		
Eisenhower Professional Development	FY 98 45385 MS-S1 FY 99 45385 MS-S1 FY 00 45385 MS-S1 FY 01 45385 MS-S1 FY 02 45385 MS-S1	84.281
Total		
Grants to Local Educational Agencies (ESEA Title I)	FY99 045385 C1-S1 FY00 045385 C1-S1 FY01 045385 C1-S1 FY02 045385 C1-S1	84.010
Total		
Safe and Drug Free Schools and Community	FY 01 045385 DR-S1 FY 02 045385 DR-S1	84.186
Total		
Title IV-R Class Size Reduction	045385 CR-S1	84.340
Innovative Education Program Strategies	FY 99 045385 C2-S1 FY 00 045385 C2-S1 FY 01 045385 C2-S1 FY 02 045385 C2-S1	84.298
Total		
<b>Total Department of Education</b>		
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>		
Medical Assistance Program - Community Alternative Funding System		93.778
<b>Totals</b>		

*The accompanying notes are an integral part of this schedule.*



<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$38,869		\$37,095
\$1,014		\$1,014	
75,464		75,464	
1,656		1,656	
<b>78,134</b>	<b>38,869</b>	<b>78,134</b>	<b>37,095</b>
87,869		87,869	
4,045		4,045	
91,914		91,914	
		194	
		762	
		46,429	
80,280		19,222	
80,280		66,607	
		285	
		145	
		136	
487		522	
6,010		34	
6,497		1,122	
		198	
		25	
23,242		30,760	
76,908		75,326	
100,150		106,309	
		2,365	
3,265		3,758	
3,265		6,123	
36,292		36,292	
		2,955	
		2,933	
4,558			
1,706		3,182	
6,264		9,070	
<b>324,662</b>		<b>317,437</b>	
308		308	
<b>\$403,104</b>	<b>\$38,869</b>	<b>\$395,879</b>	<b>\$37,095</b>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Gibsonburg Exempted Village School District  
Sandusky County  
300 South Harrison Street  
Gibsonburg, Ohio 43431-1290

To the Board of Education:

We have audited the financial statements of the Gibsonburg Exempted Village School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10172-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 3, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 3, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

December 3, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
Telephone 419-245-2811  
800-443-9276  
Facsimile 419-245-2484  
www.auditor.state.oh.us

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

Gibsonburg Exempted Village School District  
Sandusky County  
300 South Harrison Street  
Gibsonburg, Ohio 43431-1290

To the Board of Education:

**Compliance**

We have audited the compliance of Gibsonburg Exempted Village School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**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, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 3, 2002

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002

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

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

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

**FINDING NUMBER 2002-10172-001**

**Noncompliance Citation**

Provisions of the Ohio Revised Code § 102.03 and Ohio Revised Code Chapter 2921 address the circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract. Additionally, Ohio Revised Code § 3313.33 specifically addresses limitations placed upon school board members regarding contracts.

Ohio Revised Code § 102.03(D) provides that no public official or employee shall use the authority or influence of office or employment to secure anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Revised Code § 2921.42(A)(4) provides that a public official may not knowingly "[h]ave an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected."

Ohio Revised Code § 3313.33 specifically provides, in part, that, "[n]o member of the board shall have, directly or indirectly, any pecuniary interest in any contract of the board or be employed in any manner for compensation by the board of which he is a member. No contract shall be binding upon any board unless it is made or authorized at a regular or special meeting of such board."

Mosser Construction Company was awarded a contract by the Board of Education to construct an addition and renovation to the existing elementary school building for the Gibsonburg Exempted Village School District. Mr. Marv Davis, a member of the Board of Education for the School District, is also an employee of Mosser Construction. Mr. Davis voted for awarding the contract to the Mosser Construction Company.

This situation contravenes the ethics statutes as well as Ohio Revised Code § 3313.33. Consequently, in addition to citing the School District in this audit report, this matter will be referred to the Ohio Ethics Commission and the County Prosecuting Attorney's Office further for investigation.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2003**