

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010



Mary Taylor, CPA
Auditor of State

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Gibsonburg Exempted Village School District
Sandusky County
301 South Sunset Avenue
Gibsonburg, Ohio 43431-1290

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General 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 23, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipt and Expenditure Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipt and Expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

December 23, 2010

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The management's discussion and analysis of the Gibsonburg Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities decreased \$184,141 which represents a .85% decrease from 2009.
- General revenues accounted for \$8,321,659 in revenue or 75.69% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,672,024 or 24.31% of total revenues of \$10,993,683.
- The District had \$11,177,824 in expenses related to governmental activities; \$2,672,024 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,321,659 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$8,069,214 in revenues and other financing sources and \$8,300,682 in expenditures. The general fund's fund balance decreased \$231,468 from a balance of \$2,016,026 to \$1,784,558.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$640,388 in revenues and \$514,631 in expenditures. The debt service fund's fund balance increased \$125,757 from \$1,163,700 to \$1,289,457.

Using these Basic Financial Statements

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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(Continued)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for fiscal years 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 7,671,493	\$ 7,410,571
Capital assets, net	<u>22,283,262</u>	<u>22,665,170</u>
Total assets	<u>29,954,755</u>	<u>30,075,741</u>
<u>Liabilities</u>		
Current liabilities	3,450,847	3,232,695
Long-term liabilities	<u>5,061,932</u>	<u>5,216,929</u>
Total liabilities	<u>8,512,779</u>	<u>8,449,624</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	18,102,806	18,175,165
Restricted	2,477,054	2,233,408
Unrestricted	<u>862,116</u>	<u>1,217,544</u>
Total net assets	<u>\$ 21,441,976</u>	<u>\$ 21,626,117</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$21,441,976. Of this total, \$2,477,054 is restricted in use.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

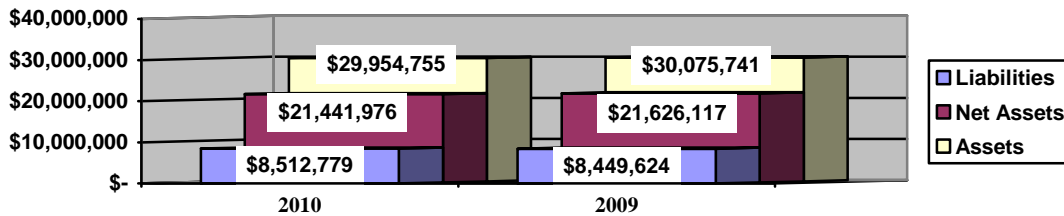
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)

At year-end, capital assets represented 74.39% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$18,102,806. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,477,054 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$862,116 may be used to meet the District's ongoing obligations to the students and creditors.

The table below provides a summary of the District's net assets for 2010 and 2009:

Governmental Activities



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Revenues		
Program revenues:		
Charges for services and sales	\$ 787,700	\$ 831,171
Operating grants and contributions	1,234,648	1,130,481
Capital grants and contributions	649,676	11,180
General revenues:		
Property taxes	2,572,431	2,417,819
Grants and entitlements	5,721,870	5,511,442
Investment earnings	22,088	79,130
Other	5,270	5,560
Total revenues	\$ 10,993,683	\$ 9,986,783

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,342,443	\$ 5,211,395
Special	1,037,452	972,300
Vocational	189,072	176,953
Other	881	20,700
Support services:		
Pupil	392,633	414,840
Instructional staff	70,621	69,394
Board of education	42,871	47,132
Administration	836,736	820,143
Fiscal	468,103	454,760
Business	6,378	6,378
Operations and maintenance	1,208,991	1,256,165
Pupil transportation	386,540	354,939
Central	1,604	3,618
Operations of non-instructional services		
Other non-instructional services	149,722	104,508
Food service operations	485,975	510,452
Extracurricular activities	333,203	360,384
Interest and fiscal charges	224,599	243,518
Total expenses	<u>11,177,824</u>	<u>11,027,579</u>
Change in net assets	<u>(184,141)</u>	<u>(1,040,796)</u>
Beginning Balance	<u>21,626,117</u>	<u>22,666,913</u>
Ending Balance	<u>\$ 21,441,976</u>	<u>\$ 21,626,117</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$184,141. Total governmental expenses of \$11,177,824 were offset by program revenues of \$2,672,024 and general revenues of \$8,321,659. Program revenues supported 23.90% of the total governmental expenses.

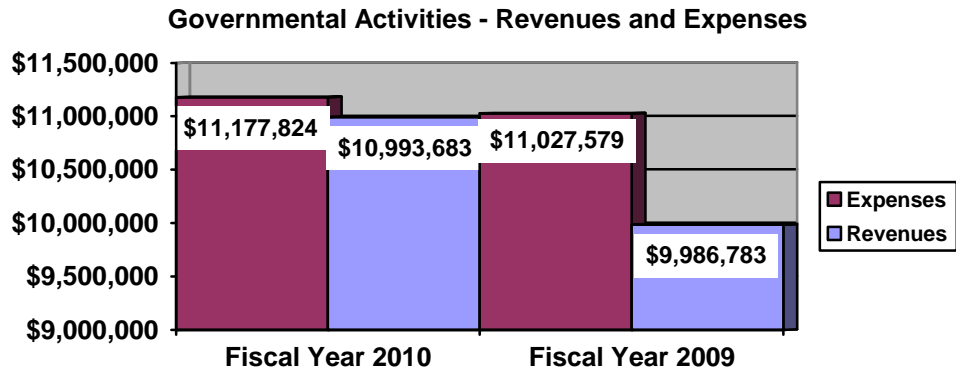
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 75.45% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,569,848 or 58.78% of total governmental expenses for fiscal year 2010.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.



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

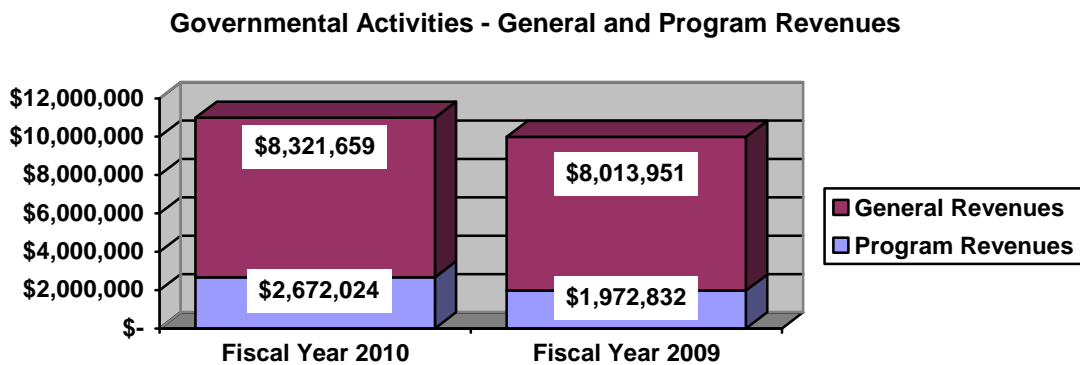
	Governmental Activities			
	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses:				
Instruction:				
Regular	\$ 5,342,443	\$ 4,481,852	\$ 5,211,395	\$ 4,727,616
Special	1,037,452	568,245	972,300	204,734
Vocational	189,072	147,567	176,953	135,971
Other	881	(2,669)	20,700	6,029
Support services:				
Pupil	392,633	337,038	414,840	410,731
Instructional staff	70,621	46,749	69,394	52,672
Board of Education	42,871	42,871	47,132	47,132
Administration	836,736	825,124	820,143	808,959
Fiscal	468,103	468,103	454,760	454,760
Business	6,378	6,378	6,378	6,378
Operations and maintenance	1,208,991	540,670	1,256,165	1,237,780
Pupil transportation	386,540	386,328	354,939	326,613
Central	1,604	1,604	3,618	1,188
Operation of non-instructional services				
Other non-instructional services	149,722	145,729	104,508	98,428
Food service operations	485,975	46,144	510,452	53,202
Extracurricular activities	333,203	239,468	360,384	239,036
Interest and fiscal charges	224,599	224,599	243,518	243,518
Total expenses	\$ 11,177,824	\$ 8,505,800	\$ 11,027,579	\$ 9,054,747

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The dependence upon tax and other general revenues for governmental activities is apparent, 79.07% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.10%. The District's taxpayers and unrestricted grants and entitlements, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,772,992, which is lower than last year's total of \$3,923,925. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,784,558	\$ 2,016,026	\$ (231,468)	(11.48) %
Debt Service	1,289,457	1,163,700	125,757	10.81 %
Other Governmental	<u>698,977</u>	<u>744,199</u>	<u>(45,222)</u>	(6.08) %
Total	<u>\$ 3,772,992</u>	<u>\$ 3,923,925</u>	<u>\$ (150,933)</u>	(3.85) %

General Fund

The District's general fund's fund balance decreased \$231,468. The decrease in fund balance can be attributed to decreasing revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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	2010 <u>Amount</u>	2009 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,915,900	\$ 1,803,299	\$ 112,601	6.24 %
Tuition	420,713	384,580	36,133	9.40 %
Earnings on investments	21,688	77,899	(56,211)	(72.16) %
Intergovernmental	5,645,838	5,847,643	(201,805)	(3.45) %
Other revenues	<u>13,738</u>	<u>9,216</u>	<u>4,522</u>	49.07 %
Total	<u>\$ 8,017,877</u>	<u>\$ 8,122,637</u>	<u>\$ (104,760)</u>	(1.29) %
<u>Expenditures</u>				
Instruction	\$ 4,989,549	\$ 5,113,395	\$ (123,846)	(2.42) %
Support services	2,912,420	2,929,723	(17,303)	(0.59) %
Non-instructional services	114,921	97,180	17,741	18.26 %
Extracurricular activities	221,356	207,466	13,890	6.70 %
Capital outlay	51,337		51,337	100.00 %
Debt service	<u>11,099</u>		<u>11,099</u>	100.00 %
Total	<u>\$ 8,300,682</u>	<u>\$ 8,347,764</u>	<u>\$ (47,082)</u>	(0.56) %

The District saw significant reductions in revenues in fiscal year 2010 in the areas of intergovernmental revenue and earnings on investments. The Ohio Department of Education removed a portion of state foundation payment and supplanted it with federal monies in the form of State Fiscal Stabilization Funds. These supplanted funds had previously been receipted directly into the general fund. Sandusky County, which includes the Gibsonburg area, saw a reappraisal of property tax rates occur for calendar year 2010. Interest rates in key money-market accounts declined substantially again in fiscal year 2010. The District was earning upwards of 3-5% on investments in prior fiscal years. The rate of return sank to as low as 0.1% for much of fiscal year 2010. Even with tax revenue increasing, the District still recognized a loss in total revenue when comparing fiscal year 2010 with 2009.

There was a 49% increase in other revenues although a large percentage is immaterial when the dollar amount is compared to total revenues. This figure gets back in-line with historical averages for other revenue.

Overall, expenditures decreased approximately 0.5%. The most significant increase was in the areas of capital outlay and debt service. The District entered into a five year lease to own agreement on over \$50,000 of copier equipment in fiscal year 2010. The District was finally able to recognize a cost savings advantage from earlier retirements after all costs had been paid out in preceding years. The District started the first year of a two year contract in fiscal year 2010. The District saw a contractual raise of 2.0% given to all employees. The District also recognized an approximately 8.0% increase for healthcare benefits in fiscal year 2010. Non-instructional services increased 18% primarily due to increased costs related to utilities, purchased services, and commodity-type supplies. The District recognizes the same inflationary pressures and increases/decreases as seen in the rest of the economy for similar goods and services.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Debt Service Fund

The debt service fund had \$640,388 in revenues and \$514,631 in expenditures. The debt service fund's fund balance increased from \$1,163,700 to \$1,289,457.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,928,000 and final budgeted revenues and other financing sources were also \$7,928,000. The actual budget basis revenues and other financing sources for fiscal year 2010 totaled \$7,937,273, which was \$9,273 more than the final budget revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$8,961,935 and final appropriations and other financing uses were \$8,962,935. The actual budget basis expenditures for fiscal year 2010 totaled \$8,331,908, which was \$631,027 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$22,283,262 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 759,542	\$ 759,542
Land improvements	1,701,695	1,836,189
Building and improvements	18,716,665	19,277,598
Furniture and equipment	649,933	634,030
Vehicles	109,372	157,811
Construction in progress	346,055	
 Total	 \$ 22,283,262	 \$ 22,665,170

The overall decrease in capital assets of \$381,908 is primarily due to depreciation expense of \$867,963 and disposals of \$13,300 (net of accumulated depreciation) exceeding capital outlays of \$499,355 for fiscal year 2010.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Debt Administration

At June 30, 2009, the District had \$678,208 in capital appreciation bonds and accreted interest, \$3,500,000 in current interest bonds, \$197,000 in a lease purchase agreement and \$40,238 in capital lease obligations outstanding. Of this total, \$364,351 is due within one year and \$4,051,095 is due in greater than one year.

The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Capital appreciation bonds and accreted interest	\$ 678,208	\$ 610,778
Current interest bonds	3,500,000	3,780,000
Lease purchase agreement	197,000	262,000
Capital lease obligation	<u>40,238</u>	<u> </u>
Total	<u>\$ 4,415,446</u>	<u>\$ 4,652,778</u>

At June 30, 2010, the District's overall legal debt margin was \$6,689,876 and an unvoted debt margin of \$103,105.

Current Financial Related Activities

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

The District has a stable financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The budgeting and internal controls utilized by the District are well regarded by the Auditor of State, as exemplified by the unqualified audit opinions that have been received.

The District has communicated to its community they rely upon their support for the major part of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. The support of the community was measured in November 2000 when the voters approved a 6.8 mil levy for new/renovated facilities with the Ohio School Facilities Commission. The District built a new 114,000 square foot middle/high school and completely renovated and doubled the size of the elementary school. Prior to that, the last operating levy was passed in November 1994 for 7.5 mills for a continuing period of time. In May of 2009, the District proceeded forth with the renewal of a five year, 1.0 mil permanent improvement levy. The levy passed successfully with a 76% approval vote. The levy continues to be supported through a handful of renewal votes and a portion of the revenue is currently being used to maintain and update the District's facilities.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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All of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the Board and administrative team continue to carefully and prudently plan in order to provide the resources required to meet students desired needs over the next several years, operating within the means of our budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information you can contact Paul Lockwood at Gibsonburg Exempted Village School District, 301 S. Sunset Ave., Gibsonburg, Ohio 43431-1290.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 4,849,706
Cash with escrow agent.	8,074
Receivables:	
Taxes	2,640,047
Accounts.	774
Accrued interest	1,061
Intergovernmental	85,508
Prepayments	13,464
Materials and supplies inventory.	8,636
Unamortized bond issue costs	64,223
Capital assets:	
Land and construction in progress.	1,105,597
Depreciable capital assets, net.	21,177,665
Capital assets, net	22,283,262
 Total assets.	 29,954,755
 Liabilities:	
Accounts payable.	57,533
Contracts payable.	211,595
Retainage payable	8,074
Accrued wages and benefits	816,124
Pension obligation payable.	234,307
Intergovernmental payable	39,433
Unearned revenue	2,067,495
Accrued interest payable	16,286
Long-term liabilities:	
Due within one year.	533,191
Due within more than one year	4,528,741
 Total liabilities	 8,512,779
 Net Assets:	
Invested in capital assets, net of related debt.	18,102,806
Restricted for:	
Capital projects	752,922
Debt service.	1,312,619
Classroom facilities and maintenance	113,316
State funded programs.	337
Federally funded programs	91,624
Public school support	3,495
Student activities	7,955
Other purposes	194,786
Unrestricted.	862,116
 Total net assets	 \$ 21,441,976

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,342,443	\$ 463,738	\$ 396,853		\$ (4,481,852)
Special	1,037,452	2,470	466,737		(568,245)
Vocational	189,072		41,505		(147,567)
Other	881		3,550		2,669
Support services:					
Pupil	392,633		55,595		(337,038)
Instructional staff	70,621		23,872		(46,749)
Board of education	42,871				(42,871)
Administration	836,736		11,612		(825,124)
Fiscal	468,103				(468,103)
Business	6,378				(6,378)
Operations and maintenance	1,208,991	8,468	10,177	\$ 649,676	(540,670)
Pupil transportation	386,540		212		(386,328)
Central	1,604				(1,604)
Operation of non-instructional services:					
Other non-instructional services	149,722		3,993		(145,729)
Food service operations	485,975	236,982	202,849		(46,144)
Extracurricular activities	333,203	76,042	17,693		(239,468)
Interest and fiscal charges	224,599				(224,599)
Totals	\$ 11,177,824	\$ 787,700	\$ 1,234,648	\$ 649,676	(8,505,800)

General Revenues:

Property taxes levied for:	
General purposes	1,927,714
Special revenue	33,491
Debt service	569,971
Capital projects	41,255
Grants and entitlements not restricted to specific programs	
Investment earnings	5,721,870
Miscellaneous	22,088
	5,270
Total general revenues	8,321,659
Change in net assets	(184,141)
Net assets at beginning of year	21,626,117
Net assets at end of year	\$ 21,441,976

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 2,308,249	\$ 1,196,409	\$ 1,134,965	\$ 4,639,623
Cash with escrow agent			8,074	8,074
Receivables:				
Taxes	1,980,313	582,819	76,915	2,640,047
Accounts	304		470	774
Accrued interest	1,061			1,061
Intergovernmental	6,200		79,308	85,508
Due from other funds	46,510			46,510
Prepayments	13,464			13,464
Materials and supplies inventory			8,636	8,636
Restricted assets:				
Equity in pooled cash and investments	210,083			210,083
Total assets	\$ 4,566,184	\$ 1,779,228	\$ 1,308,368	\$ 7,653,780
Liabilities:				
Accounts payable	49,994		7,539	57,533
Contracts payable			211,595	211,595
Retainage payable			8,074	8,074
Accrued wages and benefits	678,525		137,599	816,124
Compensated absences payable	148,729			148,729
Pension obligation payable	191,546		42,761	234,307
Early retirement incentive payable	13,279			13,279
Intergovernmental payable	35,540	31	3,862	39,433
Due to other funds			46,510	46,510
Deferred revenue	135,112	39,448	63,149	237,709
Unearned revenue	1,528,901	450,292	88,302	2,067,495
Total liabilities	2,781,626	489,771	609,391	3,880,788
Fund Balances:				
Reserved for encumbrances	152,109		276,922	429,031
Reserved for materials and supplies inventory			8,636	8,636
Reserved for prepayments	13,464			13,464
Reserved for property tax unavailable for appropriation	315,599	92,858	12,256	420,713
Reserved for capital acquisition	128,712			128,712
Reserved for budget stabilization	29,247			29,247
Reserved for school bus purchases	52,124			52,124
Unreserved, undesignated (deficit), reported in:				
General fund	1,093,303			1,093,303
Special revenue funds			(98,769)	(98,769)
Debt service fund		1,196,599		1,196,599
Capital projects funds			499,932	499,932
Total fund balances	1,784,558	1,289,457	698,977	3,772,992
Total liabilities and fund balances	\$ 4,566,184	\$ 1,779,228	\$ 1,308,368	\$ 7,653,780

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$	3,772,992
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			22,283,262
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	178,616	
Intergovernmental receivable		58,302	
Accrued interest receivable		791	
Total			237,709
Unamortized premiums on bond issuance are not recognized in the funds.			(248,539)
Unamortized bond issuance costs are not recognized in the funds.			64,223
Unamortized deferred amounts on refundings are not recognized in the funds.			184,312
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(16,286)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(420,251)	
Lease purchase payable		(197,000)	
Capital lease payable		(40,238)	
General obligation bonds payable		(4,178,208)	
Total			(4,835,697)
Net assets of governmental activities		\$	21,441,976

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 1,915,900	\$ 565,942	\$ 74,424	\$ 2,556,266
Tuition	420,713			420,713
Charges for services			236,982	236,982
Earnings on investments	21,688	332	485	22,505
Extracurricular			73,779	73,779
Classroom materials and fees			44,417	44,417
Rental income	8,468			8,468
Contributions and donations			17,666	17,666
Other local revenues	5,270		3,341	8,611
Intergovernmental - State	5,645,838	74,114	750,559	6,470,511
Intergovernmental - Federal			1,062,089	1,062,089
Total revenue	<u>8,017,877</u>	<u>640,388</u>	<u>2,263,742</u>	<u>10,922,007</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,332,784		477,686	4,810,470
Special	484,615		534,287	1,018,902
Vocational	172,150			172,150
Other			881	881
Support services:				
Pupil	353,382		58,695	412,077
Instructional staff	29,926		28,305	58,231
Board of education	42,871			42,871
Administration	801,266		11,453	812,719
Fiscal	455,315	11,056	1,719	468,090
Business	6,378			6,378
Operations and maintenance	885,000		278,306	1,163,306
Pupil transportation	336,712		209	336,921
Central	1,570		34	1,604
Operation of non-instructional services:				
Other non-instructional services	114,921		3,950	118,871
Food service operations			461,417	461,417
Extracurricular activities	221,356		104,770	326,126
Facilities acquisition and construction			347,252	347,252
Capital outlay	51,337			51,337
Debt service:				
Principal retirement	11,099	345,000		356,099
Interest and fiscal charges		158,575		158,575
Total expenditures	<u>8,300,682</u>	<u>514,631</u>	<u>2,308,964</u>	<u>11,124,277</u>
Excess/deficiency of revenues over/under expenditures	<u>(282,805)</u>	<u>125,757</u>	<u>(45,222)</u>	<u>(202,270)</u>
Other financing sources:				
Capital lease transaction	<u>51,337</u>			<u>51,337</u>
Total other financing sources	<u>51,337</u>			<u>51,337</u>
Net change in fund balances	(231,468)	125,757	(45,222)	(150,933)
Fund balances at beginning of year	<u>2,016,026</u>	<u>1,163,700</u>	<u>744,199</u>	<u>3,923,925</u>
Fund balances at end of year	<u>\$ 1,784,558</u>	<u>\$ 1,289,457</u>	<u>\$ 698,977</u>	<u>\$ 3,772,992</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds		\$ (150,933)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital asset additions	\$ 499,355	
Current year depreciation	<u>(867,963)</u>	
Total		(368,608)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(13,300)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	16,165	
Intergovernmental revenue	55,778	
Accrued interest	<u>(267)</u>	
Total		71,676
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		356,099
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	1,406	
Accretion of interest on "capital appreciation" bonds	(67,430)	
Amortization of bond premium	18,525	
Amortization of deferred charges on refundings	(13,738)	
Amortization of bond issue costs	<u>(4,787)</u>	
Total		(66,024)
Proceeds of capital leases are recorded as revenue in the funds, however in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(51,337)
Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
		<u>38,286</u>
Change in net assets of governmental activities		<u>\$ (184,141)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 1,823,000	\$ 1,823,000	\$ 1,833,953	\$ 10,953
Tuition	390,000	390,000	420,713	30,713
Earnings on investments	100,000	100,000	22,947	(77,053)
Rental income	3,500	3,500	8,468	4,968
Other local revenues	4,000	4,000	5,042	1,042
Intergovernmental - State	5,557,000	5,557,000	5,643,527	86,527
Total revenue	<u>7,877,500</u>	<u>7,877,500</u>	<u>7,934,650</u>	<u>57,150</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,390,738	4,391,738	4,265,521	126,217
Special	643,175	643,175	495,276	147,899
Vocational	195,993	195,993	172,358	23,635
Support Services:				
Pupil	427,735	427,735	350,225	77,510
Instructional staff	71,348	71,348	29,266	42,082
Board of education	55,878	55,878	47,708	8,170
Administration	838,743	838,743	792,541	46,202
Fiscal	480,860	480,860	455,001	25,859
Business	7,000	7,000	6,378	622
Operations and maintenance	1,097,868	1,097,868	1,029,915	67,953
Pupil transportation	373,413	373,413	348,557	24,856
Central	3,025	3,025	1,570	1,455
Operation of non-instructional services:				
Other non-instructional services	135,659	135,659	115,346	20,313
Extracurricular activities	230,500	230,500	222,246	8,254
Total expenditures	<u>8,951,935</u>	<u>8,952,935</u>	<u>8,331,908</u>	<u>621,027</u>
Excess of revenues under expenditures	<u>(1,074,435)</u>	<u>(1,075,435)</u>	<u>(397,258)</u>	<u>678,177</u>
Other financing sources (uses):				
Refund of prior year's expenditures			1,023	1,023
Transfers in	25,000	25,000		(25,000)
Transfers (out)	(5,000)	(5,000)		5,000
Advances in	25,000	25,000		(25,000)
Advances (out)	(5,000)	(5,000)		5,000
Capital lease transaction	500	500	1,600	1,100
Total other financing sources (uses)	<u>40,500</u>	<u>40,500</u>	<u>2,623</u>	<u>(37,877)</u>
Net change in fund balance	(1,033,935)	(1,034,935)	(394,635)	640,300
Fund balance at beginning of year	2,647,636	2,647,636	2,647,636	
Prior year encumbrances appropriated	94,802	94,802	94,802	
Fund balance at end of year	<u>\$ 1,708,503</u>	<u>\$ 1,707,503</u>	<u>\$ 2,347,803</u>	<u>\$ 640,300</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 58,398	\$ 66,506
Receivables:		
Accounts		212
Total assets	58,398	66,718
Liabilities:		
Accounts payable		3,953
Due to students		62,765
Total liabilities		\$ 66,718
Net assets:		
Held in trust for scholarships	58,398	
Total net assets	\$ 58,398	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 88
Gifts and contributions	711
Total additions	799
 Change in net assets	 799
Net assets at beginning of year	57,599
Net assets at end of year	\$ 58,398

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 Section 3301.07 and Section 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 middle and high school. The District employs 33 non-certified and 76 certified full-time and part-time employees to provide services to approximately 1,038 students in grades K through 12 and various community groups, which ranks it 475th out of approximately 905 public and community school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. 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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (the "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 two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$61,561 to BACG during fiscal year 2010.

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors is the Governing Board of NOECA and is composed of two superintendents for each of the counties of Erie, Huron, Ottawa, Sandusky, Seneca, and Wood, one superintendent from Crawford County, and the fiscal agent superintendent. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$56,408 to NOECA for various services during fiscal year 2010.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Vanguard Sentinel Career Center (the "Career Center")

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

PUBLIC ENTITY RISK POOLS

Workers' Compensation Plan

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

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

The San-Ott Schools Employee Welfare Benefit Association (the "Association")

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

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. Hylant Group, Inc. is the Plan's administrator and is responsible to processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Fund Accounting

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

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

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

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. The District has no proprietary funds.

FIDUCIARY FUNDS

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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. The Sandusky County Budget Commission waived this requirement for fiscal year 2010.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of budgetary control.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2010; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2010, investments were limited to federal agency securities, negotiable CD's and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2010, the District invested in State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, special revenue funds: District managed activity and food service, capital projects funds: permanent improvement, building and classroom facilities; debt service fund; and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$21,688, which includes \$9,452 assigned from other funds.

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds." These amounts are eliminated in the governmental type activities columns on the statement of net assets.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees 50 years of age or older with at least eight years of experience or any employee with 20 years of experience or more 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 June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a budget stabilization reserve, capital acquisition reserve and bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 17.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2010 the District had no extraordinary or special items.

R. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$3,396
Title I - migrant children	26,216
IDEA Part B special education, education of handicapped children	96,975
Education stabilization	28,226
Title III - limited english proficiency	22
Title I - disadvantaged children/ targeted assistance	30,424
Drug-free school grant	7
IDEA preschool grant for the handicapped	1,918
Improving teacher quality	610

All of these funds complied with the Ohio State law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

NOTE 4 - DEPOSITS 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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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 or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$3,175 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Cash with Escrow Agent

At June 30, 2010, the District had \$8,074 on deposit in retainage accounts related to construction project. This amount is included on the financial statements as "cash in escrow agent" and is included in the District's bank balance below.

C. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$3,397,139. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$2,746,174 of the District's bank balance of \$3,550,312 was exposed to custodial risk as discussed below, while \$804,138 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 400,657	\$ 100,094				\$ 300,563
Negotiable CD's	202,419	100,198		\$ 102,221		
STAR Ohio	<u>971,220</u>	<u>971,220</u>				
Total	<u>\$ 1,574,296</u>	<u>\$ 1,171,512</u>		<u>\$ 102,221</u>		<u>\$ 300,563</u>

The weighted average length to maturity of the District's investments is 0.53 years.

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and negotiable CD's are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 400,657	25.45
Negotiable CD's	202,419	12.86
STAR Ohio	<u>971,220</u>	<u>61.69</u>
Total	<u>\$ 1,574,296</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,397,139
Investments	1,574,296
Cash with escrow agent	8,074
Cash on hand	<u>3,175</u>
Total	<u>\$ 4,982,684</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,857,780
Private-purpose trust fund	58,398
Agency funds	<u>66,506</u>
Total	<u>\$ 4,982,684</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2010, as reported on the fund statements, consist of the following amount due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ 46,510

The primary purpose of the interfund balance is to cover a negative cash balance in a specific fund where revenues were requested but were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Sandusky County and Wood County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$315,599 in the general fund, \$92,858 in the debt service fund, \$5,516 in the classroom maintenance fund (a nonmajor governmental fund) and \$6,740 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$229,432 in the general fund, \$66,480 in the debt service fund, \$4,071 in the classroom maintenance fund (a nonmajor governmental fund) and \$5,095 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 90,219,880	96.07	\$ 99,092,180	96.12
Public utility personal	<u>3,691,380</u>	<u>3.93</u>	<u>4,002,860</u>	<u>3.88</u>
Total	<u>\$ 93,911,260</u>	<u>100.00</u>	<u>\$ 103,095,040</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$55.30		\$52.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$ 2,640,047
Accounts	774
Intergovernmental	85,508
Accrued interest	<u>1,061</u>
Total	<u>\$ 2,727,390</u>

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 759,542			\$ 759,542
Construction in progress		\$ 346,055		346,055
Total capital assets, not being depreciated	<u>759,542</u>	<u>346,055</u>		<u>1,105,597</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,632,048			2,632,048
Buildings and improvements	23,303,663			23,303,663
Furniture and equipment	1,749,698	153,300	\$ (14,000)	1,888,998
Vehicles	710,586			710,586
Total capital assets, being depreciated	<u>28,395,995</u>	<u>153,300</u>	<u>(14,000)</u>	<u>28,535,295</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(795,859)	(134,494)		(930,353)
Buildings and improvements	(4,026,065)	(560,933)		(4,586,998)
Furniture and equipment	(1,115,668)	(124,097)	700	(1,239,065)
Vehicles	(552,775)	(48,439)		(601,214)
Total accumulated depreciation	<u>(6,490,367)</u>	<u>(867,963)</u>	<u>700</u>	<u>(7,357,630)</u>
Governmental activities capital assets, net	<u>\$ 22,665,170</u>	<u>\$ (368,608)</u>	<u>\$ (13,300)</u>	<u>\$ 22,283,262</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 532,684
Special	24,552
Vocational	16,922
<u>Support services:</u>	
Pupil	87
Instructional staff	12,390
Administration	36,794
Operations and maintenance	132,484
Pupil transportation	48,439
Food service operation	52,314
Extracurricular activities	11,297
Total depreciation expense	<u>\$ 867,963</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9 - LEASE-PURCHASE OBLIGATION

During fiscal year 2005, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the acquisition and construction of an athletic out-building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments is general operating revenue of the District. During fiscal year 2010, the District made \$65,000 in principal payments and \$10,093 in interest and administrative fees on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded in the government-wide financial statements.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 72,253
2012	69,413
2013	<u>68,496</u>
Total minimum lease payments	210,162
Less amount representing interest	<u>(13,162)</u>
Total	<u>\$ 197,000</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2010, the District entered into capitalized lease agreements for the acquisition of copier equipment.

These leases meet the criteria of capital leases as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements and as a reduction of the lease liability in the government-wide financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the statement of net assets in the amount of \$51,337 which is equal to the present value of the future minimum lease payments as of the date of inception. Accumulated depreciation as of June 30, 2010 was \$5,134, leaving a current book value of \$46,203. A corresponding liability was recorded in the statement of net assets. Principal payments in the 2010 fiscal year totaled \$11,099. This amount is reflected as debt service principal retirement in the general fund.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 11,320
2012	11,319
2013	11,319
2014	<u>11,319</u>
Total minimum lease payments	45,277
Less amount representing interest	<u>(5,039)</u>
Total	<u>\$ 40,238</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	<u>Balance Outstanding 06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/10</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
General obligation bonds - Series 2001					
Current interest	\$ 735,000		\$ (235,000)	\$ 500,000	\$ 245,000
Capital appreciation	193,996			193,996	
Accreted interest	184,928	\$ 33,281		218,209	
Refunding bonds - Series 2007					
Current interest	3,045,000		(45,000)	3,000,000	45,000
Capital appreciation	184,995			184,995	
Accreted interest	<u>46,859</u>	<u>34,149</u>		<u>81,008</u>	
Total general obligation bonds	<u>4,390,778</u>	<u>67,430</u>	<u>(280,000)</u>	<u>4,178,208</u>	<u>290,000</u>
Compensated absences	495,137	173,079	(85,957)	582,259	168,840
Lease purchase obligation	262,000		(65,000)	197,000	65,000
Capital lease obligation		<u>51,337</u>	<u>(11,099)</u>	<u>40,238</u>	<u>9,351</u>
Total	<u>\$ 5,147,915</u>	<u>\$ 291,846</u>	<u>\$ (442,056)</u>	4,997,705	<u>\$ 533,191</u>
Add: Unamortized premium on refunding				248,539	
Less: Unamortized deferred charge on refunding				<u>(184,312)</u>	
Total on statement of net assets				<u>\$ 5,061,932</u>	

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District is the general fund and the food service fund (a nonmajor governmental fund). Effective July 1, 2009, the District offered a retirement incentive. The incentive, if certain criteria is met, offers a one-time payment equal to forty percent of the average employee's final three years of salary to be made on the first payroll in January of the calendar year following the year an employee officially retires. At June 30, 2010, there was \$13,279 in retirement incentive payable included in compensated absences.

Series 2001 General Obligation Bonds: On June 1, 2001, the District issued \$5,778,996 in general obligation bonds (Series 2001, School Facilities Improvement Bonds), which represented the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. 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) mil bonded debt tax levy.

In conjunction with the 7.00 mils which support the bond issue, the District also passed in fiscal year 2001 a .5 mil 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 \$193,996. The callable portion of the Series 2001 General Obligation Bonds was refunded during fiscal year 2008 in the amount of \$3,340,000. The capital appreciation bonds mature each December 1, 2012 and 2013, (effective interest rate 8.587%) at a redemption price equal to 100% of the principal. The accreted value at maturity for the capital appreciation bonds is \$530,000. Total accreted interest of \$218,209 has been included in the statement of net assets at June 30, 2010.

Series 2007 Refunding General Obligation Bonds: On October 11, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2001 General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded current interest bonds at June 30, 2010, is \$3,000,000.

The refunding issue is comprised of both current interest bonds, par value \$3,155,000 and capital appreciation bonds par value \$184,995. The interest rates on the current interest bonds range from 3.75% - 4.125%. The capital appreciation bonds mature on December 1, 2016 and December 1, 2017 (effective interest rates 14.223%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2016 and December 1, 2017 is \$695,000. Total accreted interest of \$81,008 has been included in the statement of net assets at June 30, 2010.

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, 2024.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$218,656. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

- F. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2001			Capital Appreciation Bonds - Series 2001		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 245,000	\$ 16,675	\$ 261,675			
2012	255,000	5,674	260,674			
2013				\$ 101,073	\$ 163,927	\$ 265,000
2014				92,923	172,077	265,000
Total	<u>\$ 500,000</u>	<u>\$ 22,349</u>	<u>\$ 522,349</u>	<u>\$ 193,996</u>	<u>\$ 336,004</u>	<u>\$ 530,000</u>

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2007			Capital Appreciation Bonds - Series 2007		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 45,000	\$ 119,795	\$ 164,795			
2012	50,000	118,014	168,014			
2013	50,000	116,139	166,139			
2014	50,000	114,264	164,264			
2015	320,000	106,926	426,926			
2016 - 2020	1,035,000	414,640	1,449,640	\$ 184,995	\$ 510,005	\$ 695,000
2021 - 2024	<u>1,450,000</u>	<u>113,552</u>	<u>1,563,552</u>			
Total	<u>\$ 3,000,000</u>	<u>\$ 1,103,330</u>	<u>\$ 4,103,330</u>	<u>\$ 184,995</u>	<u>\$ 510,005</u>	<u>\$ 695,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the 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 additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$6,689,876 (including available funds of 1,289,457) and an unvoted debt margin of \$103,105.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 12 - 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.

B. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverage's, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurances carriers. Only of the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$ 3,662,470	\$ 3,273,989
Liabilities	1,729,914	1,873,157
Members' equity	1,932,556	1,400,832

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org. Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

C. Group Health Insurance

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (Note 2.A.), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

D. Workers' Compensation Plan

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$131,140, \$91,293 and \$89,709, respectively; 36.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$651,721, \$630,949 and \$646,095, respectively; 83.61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$948 made by the District and \$677 made by the plan members.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$27,198, \$64,129 and \$63,070, respectively; 36.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,799, \$7,532 and \$6,464, respectively; 36.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$50,132, \$48,535 and \$49,700, respectively; 83.61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 15 - 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 statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ (394,635)
Net adjustment for revenue accruals	83,227
Net adjustment for expenditure accruals	(182,464)
Net adjustment for other sources/uses	48,714
Adjustment for encumbrances	<u>213,690</u>
GAAP basis	<u>\$ (231,468)</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks/ Instructional Supplies</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2009	\$ (33,058)	\$ 190,546	\$ 29,247
Current year set-aside requirement	182,666	182,666	
Current year offsets		(71,474)	
Qualifying disbursements	<u>(182,995)</u>	<u>(173,026)</u>	<u> </u>
Total	<u>\$ (33,387)</u>	<u>\$ 128,712</u>	<u>\$ 29,247</u>
Cash balance carried forward to fiscal year 2011	<u>\$ (33,387)</u>	<u>\$ 128,712</u>	<u>\$ 29,247</u>

The District may carry the excess balance spent of \$33,387 for textbooks/instructional supplies to fiscal year 2011.

In addition to the above statutory reserves, the District has \$52,124 in cash restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2010 follows:

Fund balance - reserved for capital acquisition	\$ 128,712
Fund balance - reserved for school bus purchases	52,124
Fund balance - reserved for budget stabilization	<u>29,247</u>
Total restricted assets	<u>\$ 210,083</u>

NOTE 18 – SUBSEQUENT EVENT

Effective January 1, 2010, Ryan Lockwood resigned as treasurer and Paul Lockwood was hired as the new Treasurer for the District.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY
FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
National School Lunch Program:			
Cash Assistance:	10.555	\$157,091	\$157,091
Non-Cash Assistance (Food Distribution)		60,567	60,567
Total National School Lunch Program		<u>217,658</u>	<u>217,658</u>
School Breakfast Program	10.553	15,562	15,562
Total U.S. Department of Agriculture		<u>233,220</u>	<u>233,220</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Perysburg Exempted Village School District</i>			
English Language Acquisition Grants	84.365		7,491
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	206,604	206,604
ARRA - Special Education Grants to States	84.391	137,912	161,578
Special Education Preschool Grants	84.173	3,813	3,813
Total Special Education Cluster		<u>348,329</u>	<u>371,995</u>
<u>Title 1, Part A, Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	81,180	81,855
ARRA - Title I Grants to Local Educational Agencies	84.389	31,131	36,073
Total Title I, Part A Cluster		<u>112,311</u>	<u>117,928</u>
Migrant Education State Grant Program	84.011	64,144	73,885
Education Technology State Grants	84.318	74	720
Safe and Drug-Free Schools and Communities National Programs	84.186	2,493	2,493
Improving Teacher Quality State Grants	84.367	54,764	53,188
ARRA - State Fiscal Stabilization Fund - Educational State Grants	84.394	351,649	351,649
Total Department of Education		<u>933,764</u>	<u>979,349</u>
Total Federal Award Receipt and Expenditure		<u>\$1,166,984</u>	<u>\$1,212,569</u>

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the Schedule) reports the Gibsonburg Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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Mary Taylor, CPA

Auditor of State

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

Gibsonburg Exempted Village School District
Sandusky County
301 South Sunset Avenue
Gibsonburg, Ohio 43431-1290

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 23, 2010.

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 23, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Gibsonburg Exempted Village School District
Sandusky County
301 South Sunset Avenue
Gibsonburg, Ohio 43431-1290

To the Board of Education:

Compliance

We have audited the compliance of the Gibsonburg Exempted Village School District, Sandusky County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Gibsonburg Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

December 23, 2010

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA #'s 84.027, 84.391 and 84.173. State Fiscal Stabilization Funds – Educational Grants to States – CFDA # 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Mary Taylor, CPA
Auditor of State

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 6, 2011**