

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



**Dave Yost • Auditor of State**



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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# Dave Yost • 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 Gibsonburg Exempted Village School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2012, 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 Gibsonburg Exempted Village School District, Sandusky County, Ohio, as of June 30, 2012, 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 March 11, 2013, 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 also 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.



**Dave Yost**  
Auditor of State

March 11, 2013

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

The management's discussion and analysis of 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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,583,755 which represents a 7.60% decrease from 2011.
- General revenues accounted for \$7,638,277 in revenue or 79.02% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,027,528 or 20.98% of total revenues of \$9,665,805.
- The District had \$11,249,560 in expenses related to governmental activities; program specific charges for services, grants and contributions offset \$2,027,528 of these expenses. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,638,277 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$8,041,346 in revenues and \$8,898,586 in expenditures. The general fund's fund balance decreased \$857,240 from a balance of \$1,911,822 to \$1,054,582.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$506,160 in revenues and \$509,932 in expenditures. The debt service fund's fund balance decreased \$3,772 from \$1,397,686 to \$1,393,914.

**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.

**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 the District perform financially during 2012?" 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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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(Continued)**

This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Fund Financial Statements**

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

**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 2012 and 2011.



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
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	<b>Net Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
	<u>                    </u>	<u>                    </u>
<b><u>Assets</u></b>		
Current and other assets	\$ 6,011,360	\$ 7,259,079
Capital assets, net	<u>20,961,152</u>	<u>21,764,741</u>
 Total assets	 <u>26,972,512</u>	 <u>29,023,820</u>
 <b><u>Liabilities</u></b>		
Current liabilities	3,325,107	3,491,075
Long-term liabilities	<u>4,347,308</u>	<u>4,648,893</u>
 Total liabilities	 <u>7,672,415</u>	 <u>8,139,968</u>
 <b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	17,589,080	17,953,425
Restricted	1,455,172	1,744,022
Unrestricted	<u>255,845</u>	<u>1,186,405</u>
 Total net assets	 <u><u>\$ 19,300,097</u></u>	 <u><u>\$ 20,883,852</u></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$19,300,097. Of this total, \$1,455,172 is restricted in use.

At year-end, capital assets represented 77.71% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$17,589,080. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

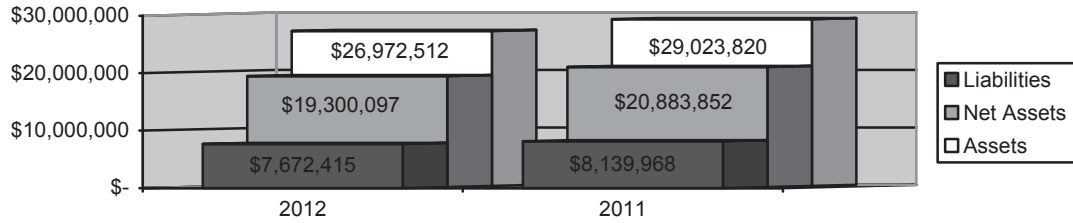
A portion of the District's net assets, \$1,455,172 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$255,845 may be used to meet the District's ongoing obligations to the students and creditors.

The table below provides a summary of the District's net assets for 2012 and 2011:

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Governmental Activities



The table below shows changes in net assets for governmental activities for fiscal year 2012 compared to fiscal year 2011.

	<b>Change in Net Assets Governmental Activities</b>	
	2012	2011
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 866,516	\$ 843,176
Operating grants and contributions	1,161,012	1,965,523
General revenues:		
Property taxes	2,373,642	2,585,734
Grants and entitlements	5,252,517	5,184,294
Investment earnings	1,949	13,294
Other	10,169	11,607
 Total revenues	 \$ 9,665,805	 \$ 10,603,628

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	<b>Change in Net Assets Governmental Activities</b>	
	2012	2011
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,252,219	\$ 5,186,105
Special	980,940	1,050,264
Vocational	199,769	190,850
Support services:		
Pupil	426,683	421,770
Instructional staff	101,262	99,587
Board of education	69,244	42,214
Administration	882,427	821,701
Fiscal	412,406	428,336
Business	6,281	6,569
Operations and maintenance	1,193,872	1,280,648
Pupil transportation	451,460	429,288
Central	2,099	1,733
Operations of non-instructional services		
Other non-instructional services	110,874	143,459
Food service operations	564,754	490,966
Extracurricular activities	384,254	283,460
Interest and fiscal charges	211,016	216,915
Total expenses	11,249,560	11,093,865
<b><u>Special Item</u></b>		
Refund to Ohio School Facilities Commission		(67,887)
Change in net assets	(1,583,755)	(558,124)
Beginning Balance	20,883,852	21,441,976
Ending Balance	\$ 19,300,097	\$ 20,883,852

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,583,755. Total governmental expenses of \$11,249,560 were partially offset by program revenues of \$2,027,528 and general revenues of \$7,638,677. Program revenues supported 18.02% 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 78.90% of total governmental revenue. Operating grants and contributions decreased \$804,511, or 40.93% from 2011. The primary contributing factors in this change in grant revenues were decreases of \$306,592, \$115,854 and \$429,878 related to the Education Jobs and Medicaid Assistance Act, IDEA part B federal funding, and the American Recovery and Reinvestment Act of 2009, respectively. State fiscal stabilization funding associated with the American Recovery and Reinvestment Act of 2009 was eliminated entirely, effective for fiscal year 2012, and was the largest single component in the net decrease in operating grants and contributions revenue. Further, the District recognized no operating grant revenue from management information system, migrant children, and limited English proficiency grants as it had in the prior year. Such reductions were offset

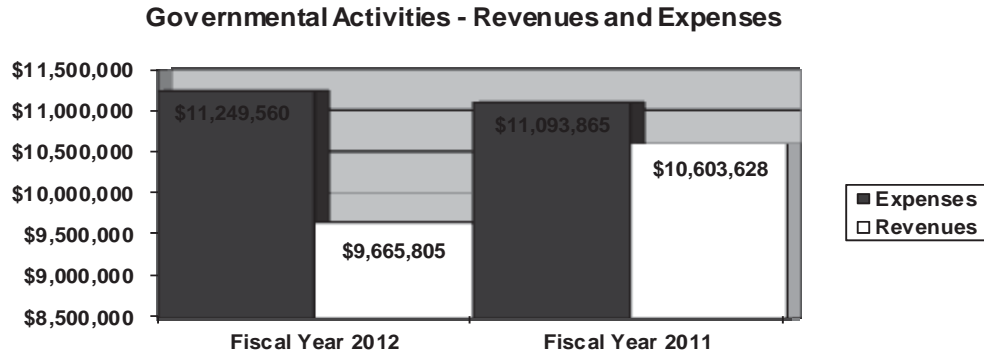
**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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only slightly by increases in State and federal funding and donated commodities for food service and other District programs.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,432,928 or 57.18% of total governmental expenses for fiscal year 2012.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.



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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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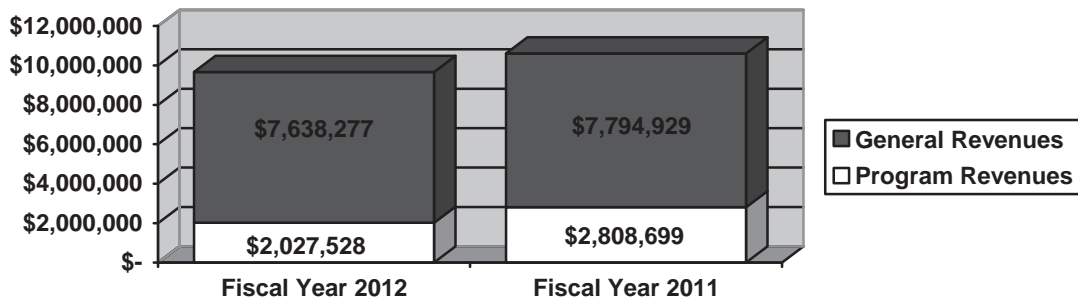
**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses:				
Instruction:				
Regular	\$ 5,252,219	\$ 4,696,871	\$ 5,186,105	\$ 3,963,580
Special	980,940	187,836	1,050,264	102,615
Vocational	199,769	157,953	190,850	149,034
Support services:				
Pupil	426,683	426,683	421,770	421,441
Instructional staff	101,262	101,262	99,587	91,706
Board of Education	69,244	69,244	42,214	42,214
Administration	882,427	881,695	821,701	820,906
Fiscal	412,406	412,406	428,336	428,336
Business	6,281	6,281	6,569	6,569
Operations and maintenance	1,193,872	1,185,816	1,280,648	1,266,922
Pupil transportation	451,460	451,460	429,288	429,192
Central	2,099	2,099	1,733	1,733
Operation of non-instructional services				
Other non-instructional services	110,874	109,999	143,459	137,921
Food service operations	564,754	56,198	490,966	33,608
Extracurricular activities	384,254	265,213	283,460	172,474
Interest and fiscal charges	211,016	211,016	216,915	216,915
<b>Total expenses</b>	<b>\$ 11,249,560</b>	<b>\$ 9,222,032</b>	<b>\$ 11,093,865</b>	<b>\$ 8,285,166</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 78.39% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.98%. 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 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,433,413, which is lower than last year's total of \$3,523,711. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance (Deficit) June 30, 2012	Fund Balance June 30, 2011	(Decrease)	Percentage Change
General	\$ 1,054,582	\$ 1,911,822	\$ (857,240)	(44.84) %
Debt Service	1,393,914	1,397,686	(3,772)	(0.27) %
Other Governmental	<u>(15,083)</u>	<u>214,203</u>	<u>(229,286)</u>	(107.04) %
Total	<u>\$ 2,433,413</u>	<u>\$ 3,523,711</u>	<u>\$ (1,090,298)</u>	(30.94) %

**General Fund**

During fiscal year 2012, the District's general fund expenditures increased, while revenues fell slightly. This resulted in a decrease of \$857,240 in the balance of the District's general fund. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2012 Amount	2011 Amount	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 1,863,929	\$ 2,012,943	\$ (149,014)	(7.40) %
Tuition	473,768	454,295	19,473	4.29 %
Earnings on investments	1,442	12,273	(10,831)	(88.25) %
Intergovernmental	5,646,283	5,553,919	92,364	1.66 %
Other revenues	<u>55,924</u>	<u>65,526</u>	<u>(9,602)</u>	(14.65) %
Total	<u>\$ 8,041,346</u>	<u>\$ 8,098,956</u>	<u>\$ (57,610)</u>	(0.71) %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,486,125	\$ 4,682,571	\$ 803,554	17.16 %
Support services	3,036,211	2,947,491	88,720	3.01 %
Non-instructional services	110,874	97,005	13,869	14.30 %
Extracurricular activities	254,057	239,947	14,110	5.88 %
Debt service	<u>11,319</u>	<u>11,320</u>	<u>(1)</u>	(0.01) %
Total	<u>\$ 8,898,586</u>	<u>\$ 7,978,334</u>	<u>\$ 920,252</u>	11.53 %

Property tax revenues recognized during fiscal year 2012 were 7.40% lower than during fiscal year 2011, due to the timing of property tax collections. Tuition revenue increased \$19,473 due to higher revenues associated with open enrollment. The District held fewer investments during fiscal year 2012 and earned conservative interest rates on its balance with the State Treasury Asset Reserve of Ohio and on certificates of deposit, contributing to the decrease in earnings on investments of \$10,831. Other revenues decreased by 14.65%, primarily due to lower extracurricular revenues and donations made to

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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the District during fiscal year 2012.

Expenditures increased 11.53% during fiscal year 2012. Instruction expenditures increased 17.16%, primarily due to increased spending during fiscal year 2012 for employee wages and benefits; higher employee wages and benefits also contributed to the 14.30% and 5.88% increases in expenditures for non-instructional services and extracurricular activities, respectively. Support services and debt service expenditures remained consistent with fiscal year 2011. Overall, net changes in revenues and expenses during fiscal year 2012 caused the general fund's balance to decrease from a beginning balance of \$1,911,822 to \$1,054,582.

**Debt Service Fund**

The debt service fund had \$506,160 in revenues and \$509,932 in expenditures. The debt service fund's fund balance decreased \$3,772, from \$1,397,686 to \$1,393,914.

**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 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,117,330 and final budgeted revenues and other financing sources were \$8,100,969. The actual budget basis revenues and other financing sources for fiscal year 2012 were \$8,101,451, slightly higher than the final budget.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$8,566,890 and final appropriations and other financing uses were \$8,939,752. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$8,847,109, which were \$92,643 less than final budgeted appropriations. This variance was due to conservative spending by the District.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the District had \$20,961,152 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2012 balances compared to 2011:

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Land	\$ 759,542	\$ 759,542
Land improvements	1,436,182	1,569,092
Building and improvements	18,183,668	18,760,932
Furniture and equipment	525,427	599,712
Vehicles	56,333	75,463
Total	<u>\$ 20,961,152</u>	<u>\$ 21,764,741</u>

The overall decrease in capital assets of \$803,589 is primarily due to depreciation expense of \$883,035 exceeding capital outlays of \$79,446 during fiscal year 2012.

**Debt Administration**

At June 30, 2012, the District had \$837,822 in capital appreciation bonds and accreted interest, \$2,905,000 in current interest bonds, \$67,000 in obligations related to a lease purchase agreement and \$21,079 in capital lease obligations outstanding. Of this total, \$381,378 is due within one year and \$3,449,523 is due in greater than one year. See Note 11 to the basic financial statements for additional information.

At June 30, 2012, the District had an overall legal debt margin was \$7,458,631 and an unvoted debt margin of \$103,875. The table that follows summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2012	2011
Capital appreciation bonds and accreted interest	\$ 837,822	\$ 753,544
Current interest bonds	2,905,000	3,210,000
Lease purchase agreement	67,000	132,000
Capital lease obligation	21,079	30,887
Total	<u>\$ 3,830,901</u>	<u>\$ 4,126,431</u>

**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 District has communicated to its community that it relies upon its support for the majority 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



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UNAUDITED  
(Continued)**

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.

In order to overcome the financial effects of significant reductions in State funding, the District Board of Education plans to place a 1% earned income tax levy on the ballot in May 2013. The District is hopeful that through this levy the community will continue to support the District's commitment to serving its students.

All of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative that 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 the District's 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 may contact Dr. Paul R. Lockwood II, Treasurer, Gibsonburg Exempted Village School District, 301 S. Sunset Ave., Gibsonburg, Ohio 43431-1290.

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 3,216,783
Receivables:	
Taxes . . . . .	2,719,710
Accounts . . . . .	715
Accrued interest . . . . .	750
Prepayments . . . . .	11,454
Materials and supplies inventory . . . . .	7,299
Unamortized bond issuance costs . . . . .	54,649
Capital assets:	
Land . . . . .	759,542
Depreciable capital assets, net . . . . .	20,201,610
Capital assets, net . . . . .	20,961,152
 Total Assets . . . . .	 26,972,512
<b>Liabilities:</b>	
Accounts payable . . . . .	83,242
Accrued wages and benefits . . . . .	823,874
Pension obligation payable . . . . .	215,957
Intergovernmental payable . . . . .	44,484
Unearned revenue . . . . .	2,148,248
Accrued interest payable . . . . .	9,302
Long-term liabilities:	
Due within one year . . . . .	403,397
Due within more than one year . . . . .	3,943,911
Total Long-term liabilities . . . . .	4,347,308
Total Liabilities . . . . .	7,672,415
<b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	17,589,080
Restricted for:	
Capital projects . . . . .	7,005
Debt service . . . . .	1,393,914
Student activities . . . . .	694
Other purposes . . . . .	53,559
Unrestricted . . . . .	255,845
Total Net Assets . . . . .	\$ 19,300,097

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, 2012**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,252,219	\$ 511,519	\$ 43,829	\$ (4,696,871)
Special . . . . .	980,940	2,511	790,593	(187,836)
Vocational . . . . .	199,769		41,816	(157,953)
Support services:				
Pupil . . . . .	426,683			(426,683)
Instructional staff . . . . .	101,262			(101,262)
Board of education . . . . .	69,244			(69,244)
Administration . . . . .	882,427		732	(881,695)
Fiscal . . . . .	412,406			(412,406)
Business . . . . .	6,281			(6,281)
Operations and maintenance . . . . .	1,193,872		8,056	(1,185,816)
Pupil transportation . . . . .	451,460			(451,460)
Central . . . . .	2,099			(2,099)
Operation of non-instructional services:				
Other non-instructional services . . . . .	110,874		875	(109,999)
Food service operations . . . . .	564,754	279,319	229,237	(56,198)
Extracurricular activities . . . . .	384,254	73,167	45,874	(265,213)
Interest and fiscal charges . . . . .	211,016			(211,016)
<b>Totals . . . . .</b>	<b>\$ 11,249,560</b>	<b>\$ 866,516</b>	<b>\$ 1,161,012</b>	<b>\$ (9,222,032)</b>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .	1,875,208
Special revenue . . . . .	29,389
Debt service . . . . .	431,179
Capital projects . . . . .	37,866
Grants and entitlements not restricted to specific programs . . . . .	5,252,517
Investment earnings . . . . .	1,949
Miscellaneous . . . . .	10,169
<b>Total general revenues . . . . .</b>	<b>7,638,277</b>
Change in net assets . . . . .	(1,583,755)
<b>Net Assets at Beginning of Year . . . . .</b>	<b>20,883,852</b>
<b>Net Assets at End of Year . . . . .</b>	<b>\$ 19,300,097</b>

See accompanying notes to the basic financial statements

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 1,794,126	\$ 1,326,024	\$ 44,509	\$ 3,164,659
Receivables:				
Taxes . . . . .	2,134,991	505,852	78,867	2,719,710
Accounts . . . . .	585		130	715
Accrued interest . . . . .	750			750
Prepayments . . . . .	11,454			11,454
Materials and supplies inventory . . . . .			7,299	7,299
Due from other funds . . . . .	4,254			4,254
Restricted assets:				
Equity in pooled cash and investments . . . . .	52,124			52,124
<b>Total Assets . . . . .</b>	<b><u>\$ 3,998,284</u></b>	<b><u>\$ 1,831,876</u></b>	<b><u>\$ 130,805</u></b>	<b><u>\$ 5,960,965</u></b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 62,072		\$ 21,170	\$ 83,242
Accrued wages and benefits . . . . .	786,328		37,546	823,874
Pension obligation payable . . . . .	202,321		13,636	215,957
Intergovernmental payable . . . . .	43,493		991	44,484
Deferred revenue . . . . .	163,045	\$ 38,453	5,995	207,493
Unearned revenue . . . . .	1,686,443	399,509	62,296	2,148,248
Due to other funds . . . . .			4,254	4,254
<b>Total Liabilities . . . . .</b>	<b><u>2,943,702</u></b>	<b><u>437,962</u></b>	<b><u>145,888</u></b>	<b><u>3,527,552</u></b>
<b>Fund Balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .			7,299	7,299
Prepays . . . . .	11,454			11,454
Restricted:				
Debt service . . . . .		1,393,914		1,393,914
Capital improvements . . . . .			7,005	7,005
Extracurricular . . . . .			694	694
Other purposes . . . . .			1,435	1,435
School bus purchase . . . . .	52,124			52,124
Assigned:				
Student instruction . . . . .	647			647
Student and staff support . . . . .	30,651			30,651
School supplies . . . . .	3,501			3,501
Subsequent year appropriations . . . . .	835,517			835,517
Other purposes . . . . .	165			165
Unassigned (deficit) . . . . .	120,523		(31,516)	89,007
<b>Total Fund Balances (Deficit) . . . . .</b>	<b><u>1,054,582</u></b>	<b><u>1,393,914</u></b>	<b><u>(15,083)</u></b>	<b><u>2,433,413</u></b>
<b>Total Liabilities and Fund Balances . . . . .</b>	<b><u>\$ 3,998,284</u></b>	<b><u>\$ 1,831,876</u></b>	<b><u>\$ 130,805</u></b>	<b><u>\$ 5,960,965</u></b>

See accompanying notes to the basic financial statements

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

<b>Total Governmental Fund Balances</b>		\$ 2,433,413
<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.		20,961,152
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 206,743	
Accrued interest receivable	750	
Total		207,493
Unamortized premiums on bond issuance costs are not recognized in the funds.		(211,488)
Unamortized bond issuance costs are not recognized in the funds.		54,649
Unamortized amounts on refundings are not recognized in the funds.		156,837
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(9,302)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(21,079)	
Lease purchase payable	(67,000)	
Compensated absences	(461,756)	
General obligation bonds	(3,742,822)	
Total		(4,292,657)
<b>Net Assets of Governmental Activities</b>		<b>\$ 19,300,097</b>

*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, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,863,929	\$ 432,195	\$ 67,407	\$ 2,363,531
Tuition . . . . .	473,768			473,768
Charges for services . . . . .			279,319	279,319
Earnings on investments . . . . .	1,442	130	31	1,603
Extracurricular . . . . .	3,124		70,043	73,167
Classroom materials and fees. . . . .	40,262			40,262
Contributions and donations . . . . .	2,369		44,379	46,748
Other local revenues . . . . .	10,169			10,169
Intergovernmental - State . . . . .	5,646,283	73,835	55,912	5,776,030
Intergovernmental - Federal . . . . .			590,747	590,747
<b>Total Revenues</b> . . . . .	<u>8,041,346</u>	<u>506,160</u>	<u>1,107,838</u>	<u>9,655,344</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,673,811		39,782	4,713,593
Special . . . . .	629,398		336,792	966,190
Vocational. . . . .	182,916			182,916
Support services:				
Pupil. . . . .	424,517			424,517
Instructional staff . . . . .	88,590			88,590
Board of education. . . . .	67,964			67,964
Administration. . . . .	840,038		732	840,770
Fiscal. . . . .	397,551	11,832	4,423	413,806
Business . . . . .	6,281			6,281
Operations and maintenance . . . . .	778,860		282,676	1,061,536
Pupil transportation. . . . .	430,311			430,311
Central . . . . .	2,099			2,099
Operation of non-instructional services:				
Other non-instructional services . . . . .	110,874			110,874
Food service operations . . . . .			511,681	511,681
Extracurricular activities . . . . .	254,057		118,747	372,804
Facilities acquisition and construction. . . . .			42,291	42,291
Debt service:				
Principal retirement. . . . .	9,808	370,000		379,808
Interest and fiscal charges . . . . .	1,511	128,100		129,611
<b>Total Expenditures</b> . . . . .	<u>8,898,586</u>	<u>509,932</u>	<u>1,337,124</u>	<u>10,745,642</u>
<b>Net Change in Fund Balances</b> . . . . .	(857,240)	(3,772)	(229,286)	(1,090,298)
<b>Fund Balances at Beginning of Year</b> . . . . .	1,911,822	1,397,686	214,203	3,523,711
<b>Fund Balances (Deficit) at End of Year</b> . . . . .	<u>\$ 1,054,582</u>	<u>\$ 1,393,914</u>	<u>\$ (15,083)</u>	<u>\$ 2,433,413</u>

See accompanying notes to the basic financial statements

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(1,090,298)
<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 cost 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	\$ 79,446	
Current year depreciation	<u>(883,035)</u>	
Total		(803,589)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	10,111	
Accrued interest	<u>350</u>	
Total		10,461
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	305,000	
Capital leases	9,808	
Lease purchase agreements	<u>65,000</u>	
Total		379,808
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 in the statement of activities:		
Decrease in accrued interest payable	2,873	
Accretion of interest on capital appreciation bonds	(84,278)	
Amortization of bond premiums	18,525	
Amortization of deferred charges	(13,738)	
Amortization of bond issuance costs	<u>(4,787)</u>	
Total		(81,405)
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 governmental funds.		
Decrease in Compensated Absences Payable		<u>1,268</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>(1,583,755)</u></b>

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, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,976,681	\$ 1,972,696	\$ 1,972,696	
Tuition . . . . .	474,555	473,598	473,598	
Earnings on investments . . . . .	1,683	1,680	1,818	\$ 138
Other local revenues . . . . .	5,323	5,312	5,656	344
Intergovernmental - State . . . . .	5,657,688	5,646,283	5,646,283	
<b>Total Revenues . . . . .</b>	<u>8,115,930</u>	<u>8,099,569</u>	<u>8,100,051</u>	<u>482</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,378,000	4,568,568	4,558,551	10,017
Special . . . . .	612,845	639,521	637,331	2,190
Vocational . . . . .	176,934	184,636	180,865	3,771
Support services:				
Pupil . . . . .	417,861	436,050	428,149	7,901
Instructional staff . . . . .	119,060	124,243	118,290	5,953
Board of education . . . . .	72,091	75,229	69,480	5,749
Administration . . . . .	828,090	864,136	832,527	31,609
Fiscal . . . . .	379,531	396,052	392,345	3,707
Business . . . . .	6,019	6,281	6,281	
Operations and maintenance . . . . .	818,141	853,754	844,312	9,442
Pupil transportation . . . . .	410,899	428,785	428,755	30
Central . . . . .	1,940	2,024	2,024	
Operation of non-instructional services . . . . .	115,565	120,595	108,331	12,264
Extracurricular activities . . . . .	228,914	238,878	238,868	10
<b>Total Expenditures . . . . .</b>	<u>8,565,890</u>	<u>8,938,752</u>	<u>8,846,109</u>	<u>92,643</u>
Excess of Expenditures Over Revenues . . . . .	(449,960)	(839,183)	(746,058)	93,125
<b>Other Financing Sources (Uses):</b>				
Advances in . . . . .	1,000	1,000	1,000	
Advances (out) . . . . .	(1,000)	(1,000)	(1,000)	
Sale of capital assets . . . . .	400	400	400	
<b>Total Other Financing Sources (Uses) . . . . .</b>	<u>400</u>	<u>400</u>	<u>400</u>	
Net Change in Fund Balance . . . . .	(449,560)	(838,783)	(745,658)	93,125
<b>Fund Balance at Beginning of Year . . . . .</b>	2,522,657	2,522,657	2,522,657	
<b>Prior Year Encumbrances Appropriated . . . . .</b>	86,505	86,505	86,505	
<b>Fund Balance at End of Year . . . . .</b>	<u>\$ 2,159,602</u>	<u>\$ 1,770,379</u>	<u>\$ 1,863,504</u>	<u>\$ 93,125</u>

See accompanying notes to the financial statements

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and investments . . . . .	\$ 56,041	\$ 51,816
Receivables:		
Accounts . . . . .		20
Total Assets . . . . .	\$ 56,041	\$ 51,836
<b>Liabilities:</b>		
Accounts payable . . . . .		\$ 436
Due to students . . . . .		51,400
Total Liabilities . . . . .		\$ 51,836
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	\$ 56,041	
Total Net Assets . . . . .	\$ 56,041	

*See accompanying notes to the financial statements*

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 12
Gifts and contributions . . . . .	3,292
Total Additions . . . . .	3,304
<b>Deductions:</b>	
Scholarships awarded . . . . .	3,500
Change in Net Assets . . . . .	(196)
<b>Net Assets at Beginning of Year . . . . .</b>	<b>56,237</b>
<b>Net Assets at End of Year . . . . .</b>	<b>\$ 56,041</b>

*See accompanying notes to the financial statements*

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Gibsonburg Exempted Village School District (the "District") is located in Sandusky County, Ohio, 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 9 administrators, 2 supervisors, 39 non-certified and 76 certified full-time and part-time employees to provide services to approximately 1,098 students in grades K through 12 and various community groups.

**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 it does 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, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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 governments 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 Matt Bauer, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$30,666 to BACG during fiscal year 2012.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative ("the Cooperative") is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 2900 Columbus Avenue, Sandusky, Ohio 44870. The District paid \$11,685 to North Point Purchasing Cooperative during fiscal year 2012.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors is the Governing Board of NOECA and is composed of two superintendents for each of the counties of Erie, Huron, Ottawa, Sandusky, Seneca, and Wood, one superintendent from Crawford County, and the fiscal agent superintendent. Financial information can be obtained by contacting Matt Bauer, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$34,806 to NOECA for various services during fiscal year 2012.

Vanguard-Sentinel Career and Technology 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 Alan Binger, 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, Alan Binger, Treasurer of Vanguard-Sentinel Career and Technology Centers, at 1306 Cedar Street, Fremont, Ohio 43420.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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 for 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.

*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 and report all financial resources not accounted for and reported 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

*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.

**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 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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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. 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, 2012, but which were levied to finance fiscal year 2013 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, 2012 are recorded as deferred revenue in the governmental funds.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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.

**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 2012 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 Budget Commission waived this requirement for fiscal year 2012.
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 July 1, 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 2012.
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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

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.
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, 2012; 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 cash equivalents" on the basic financial statements.

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price at which the investment could be sold for on June 30, 2012.

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 2012 amounted to \$1,442, which includes \$509 assigned from other funds.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

**G. Inventory**

On government-wide and fund financial statements, 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 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>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**I. Interfund Activity**

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

**J. Interfund Balances**

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

**K. 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, 2012, 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, 2012 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**L. 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.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**N. 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 restricted 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.

**O. 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.

**P. 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.

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to restrict these assets for budget stabilization and for bus purchases. These restricted assets are required by State statute. A schedule of set-asides is presented in Note 17.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**R. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2012, the balance in the budget stabilization reserve was \$29,274. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

**S. 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.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 7,238
Classroom maintenance	1,731
Public school preschool	5,578
IDEA - Part B special education, education of handicapped children	3,228
Improving teacher quality	503
Permanent improvement	5,939

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.

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**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. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$2,749,385. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$1,857,906 of the District's bank balance of \$2,757,906 was exposed to custodial risk as discussed below, while \$900,000 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.

**C. Investments**

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 572,080	\$ 572,080

*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 and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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 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, 2012:

<u>Fair Value</u>	<u>% to Total</u>
<u>\$ 572,080</u>	<u>100.00</u>

**D. 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, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,749,385
Investments	572,080
Cash on hand	<u>3,175</u>
Total	<u>\$ 3,324,640</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,216,783
Private-purpose trust fund	56,041
Agency funds	<u>51,816</u>
Total	<u>\$ 3,324,640</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 5 - INTERFUND BALANCES**

Interfund balances for the year ended June 30, 2012, consisted of the following due to/from other funds, as reported on the fund financial statements:

	Due from other funds	Due to other funds
General fund	\$ 4,254	
Nonmajor governmental funds:		
Public school preschool		\$ 523
IDEA - Part B special education, education of handicapped children		3,228
Improving teacher quality		503
	\$ 4,254	\$ 4,254
Total		

The primary purpose of the interfund balances is to cover negative cash balances in the nonmajor governmental funds. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

**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 and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Sandusky and Wood Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$286,253 in the general fund, \$67,890 in the debt service fund, \$5,861 in the classroom maintenance fund (a nonmajor governmental fund) and \$4,715 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$389,666 in the general fund, \$101,769 in the debt service fund, \$7,482 in the classroom maintenance fund (a nonmajor governmental fund) and \$8,360 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.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 99,079,470	95.82	\$ 99,288,340	95.58
Public utility personal	<u>4,325,410</u>	<u>4.18</u>	<u>4,586,190</u>	<u>4.42</u>
Total	<u>\$ 103,404,880</u>	<u>100.00</u>	<u>\$ 103,874,530</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$51.90		 \$51.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees) 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:

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 7 – RECEIVABLES – (Continued)**

**Governmental activities:**

Taxes	\$ 2,719,710
Accounts	715
Accrued interest	<u>750</u>
 Total	 <u><u>\$ 2,721,175</u></u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance		Balance
	<u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>
			<u>06/30/12</u>
<b>Governmental activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 759,542		\$ 759,542
 Total capital assets, not being depreciated	 759,542		 759,542
 <i>Capital assets, being depreciated:</i>			
Land improvements	2,632,048		2,632,048
Buildings and improvements	23,925,195		23,925,195
Furniture and equipment	1,946,504	\$ 62,501	2,009,005
Vehicles	710,586	16,945	\$ (35,409) 692,122
 Total capital assets, being depreciated	 29,214,333	 79,446	 (35,409) 29,258,370
 <i>Less: accumulated depreciation</i>			
Land improvements	(1,062,956)	(132,910)	(1,195,866)
Buildings and improvements	(5,164,263)	(577,264)	(5,741,527)
Furniture and equipment	(1,346,792)	(136,786)	(1,483,578)
Vehicles	(635,123)	(36,075)	35,409 (635,789)
 Total accumulated depreciation	 (8,209,134)	 (883,035)	 \$ 35,409 (9,056,760)
 Governmental activities capital assets, net	 <u>\$ 21,764,741</u>	 <u>\$ (803,589)</u>	 <u>\$ 20,961,152</u>



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 8 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 532,460
Special	25,101
Vocational	16,853
<u>Support services:</u>	
Instructional staff	12,672
Administration	37,589
Operations and maintenance	157,346
Pupil transportation	36,075
Food service operation	53,489
Extracurricular activities	<u>11,450</u>
Total depreciation expense	<u><u>\$ 883,035</u></u>

**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 is 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 2012, the District paid \$65,000 in principal and \$4,412 in interest and administrative fees on the lease-purchase agreement from the debt service fund.

A liability in the amount of the present value of minimum lease payments has been recorded on 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, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	<u>\$ 68,496</u>
Total minimum lease payments	68,496
Less amount representing interest	<u>(1,496)</u>
Total	<u><u>\$ 67,000</u></u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

This lease meets 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. 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 on the government-wide financial statements. These expenditures are reflected as function expenditures on a budgetary basis.

Capital assets acquired through the lease agreement 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, 2012 was \$24,385, leaving a current book value of \$26,952. Principal payments during fiscal year 2012 totaled \$9,808. This amount is reflected as principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 11,319
2014	<u>11,319</u>
Total minimum lease payments	22,638
Less amount representing interest	<u>(1,559)</u>
Total	<u><u>\$ 21,079</u></u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds - Series 2001					
Current interest	\$ 255,000		\$ (255,000)		
Capital appreciation	193,996			\$ 193,996	\$ 101,073
Accreted interest	254,366	\$ 39,328		293,694	153,017
Refunding bonds - Series 2007					
Current interest	2,955,000		(50,000)	2,905,000	50,000
Capital appreciation	184,995			184,995	
Accreted interest	120,187	44,950		165,137	
Total general obligation bonds	<u>3,963,544</u>	<u>84,278</u>	<u>(305,000)</u>	<u>3,742,822</u>	<u>304,090</u>
Compensated absences	463,024	67,863	(69,131)	461,756	22,019
Lease purchase obligation	132,000		(65,000)	67,000	67,000
Capital lease obligation	30,887		(9,808)	21,079	10,288
Total	<u>\$ 4,589,455</u>	<u>\$ 152,141</u>	<u>\$ (448,939)</u>	<u>4,292,657</u>	<u>\$ 403,397</u>
Add: Unamortized premium on refunding				211,488	
Less: Unamortized deferred charge on refunding				<u>(156,837)</u>	
Total on statement of net assets				<u>\$ 4,347,308</u>	

*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).

*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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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 \$293,694 has been included in the statement of net assets at June 30, 2012.

*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 current interest refunding bonds at June 30, 2012, is \$2,905,000.

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 \$165,137 has been included in the statement of net assets at June 30, 2012.

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.

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.

- B.** Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Capital Appreciation Bonds - Series 2001		
	Principal	Interest	Total
2013	\$ 101,073	\$ 163,927	\$ 265,000
2014	92,923	172,077	265,000
Total	\$ 193,996	\$ 336,004	\$ 530,000

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2007			Capital Appreciation Bonds - Series 2007		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 50,000	\$ 116,139	\$ 166,139			
2014	50,000	114,264	164,264			
2015	320,000	106,926	426,926			
2016	335,000	93,826	428,826			
2017		87,126	87,126	\$ 96,852	\$ 243,148	\$ 340,000
2018 - 2022	1,460,000	321,303	1,781,303	88,143	266,857	355,000
2023 - 2024	690,000	25,937	715,937			
<b>Total</b>	<b>\$ 2,905,000</b>	<b>\$ 865,521</b>	<b>\$ 3,770,521</b>	<b>\$ 184,995</b>	<b>\$ 510,005</b>	<b>\$ 695,000</b>

**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, 2012, are a voted debt margin of \$7,458,631 (including available funds of \$1,393,914) and an unvoted debt margin of \$103,875.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2012, the District purchased insurance coverage through the Ohio School Plan (see below).

**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").

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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 coverages, 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 if 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, 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets	\$ 4,280,876	\$ 3,859,753	\$ 3,662,470
Liabilities	1,812,420	1,732,921	1,729,914
Members' equity	2,468,456	2,126,832	1,932,556

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org) under "Financials".

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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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 Sheakley 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](http://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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$137,525, \$125,145 and \$131,140, respectively; 55.10 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 2012, 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, 2012, 2011 and 2010 were \$633,173, \$664,762 and \$651,721, respectively; 82.60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$5,908 made by the District and \$4,220 made by the plan members.



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012, 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 Section 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 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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](http://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 2012, 0.55 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 2012, the actuarially determined amount was \$35,800.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012, 2011 and 2010 were \$28,355, \$32,477 and \$27,198, respectively; 55.10 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,122, \$8,053 and \$7,799, respectively; 55.10 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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](http://www.strsoh.org), under "Publications" 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 2012, 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, 2012, 2011 and 2010 were \$48,706, \$51,136 and \$50,132, respectively; 82.60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a 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, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis), and,
- (f) Investment 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	\$ (745,658)
Net adjustment for revenue accruals	(108,894)
Net adjustment for expenditure accruals	(35,360)
Net adjustment for other sources/uses	(400)
Funds budgeted elsewhere	(5,841)
Adjustment for encumbrances	38,913
GAAP basis	<u>\$ (857,240)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund and the public school support fund.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**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, 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.

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$ 177,262
Current year qualifying expenditures	(67,107)
Current year offsets	(46,130)
Prior year offset from bond proceeds	<u>\$ (64,025)</u>
Total	<u><u>                    </u></u>

During fiscal year 2001, the District issued \$5,780,399 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to the amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,521,516 at June 30, 2012.

In addition to the set-asides for capital improvements, the District has a balance of \$52,124 in the general fund restricted for school bus purchases by the State of Ohio. This amount has been shown as a restricted fund balance and restricted net assets. The District also recorded restricted cash for the amount restricted for school bus purchases.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 27,955
Other governmental	<u>2,011</u>
Total	<u><u>\$ 29,966</u></u>

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
National School Lunch Program			
Cash Assistance:	10.555	\$ 168,329	\$ 168,329
Non-Cash Assistance (Food Distribution)		<u>50,878</u>	<u>50,878</u>
Total National School Lunch Program		<u>219,207</u>	<u>219,207</u>
 School Breakfast Program	 10.553	 <u>32,783</u>	 <u>32,783</u>
Total U.S. Department of Agriculture		<u><b>251,990</b></u>	<u><b>251,990</b></u>
 <b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	199,593	199,593
Special Education Preschool Grants	84.173	<u>3,810</u>	<u>3,810</u>
Total Special Education Cluster		<u>203,403</u>	<u>203,403</u>
Title I Grants to Local Educational Agencies	84.010	103,285	103,285
Education Technology State Grants	84.318	732	732
Education Jobs	84.300	8,456	8,456
Improving Teacher Quality State Grants	84.367	<u>46,846</u>	<u>46,846</u>
Total Department of Education		<u><b>362,722</b></u>	<u><b>362,722</b></u>
<b>Total Federal Financial Assistance</b>		<u><b>\$ 614,712</b></u>	<u><b>\$ 614,712</b></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, 2012**

**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 program that benefitted from the use of those donated food commodities.





# Dave Yost • 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, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2013. 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2012-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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 also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2013.

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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 11, 2013



# Dave Yost • 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 Gibsonburg Exempted Village School District, Sandusky County, Ohio (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 the District's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, Gibsonburg Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

### 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.

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*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 noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 11, 2013.

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



**Dave Yost**  
Auditor of State

March 11, 2013

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

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

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

**FINDING NUMBER 2012-001**

**Significant Deficiency**

Bank reconciliations should be performed monthly and reviewed and approved by someone other than the preparer. Reconciliations were performed each month, but we noted the following errors at June 30, 2012:

**FINDING NUMBER 2012-001**  
**(Continued)**

	<b>Original Reconciliation</b>	<b>Corrected Reconciliation</b>	<b>Variance</b>
Outstanding Checklist	\$ (7,143)	\$ (6,734)	\$ 409
Athletic Checking Account	1,177	3,000	1,823
Change Cash on Hand	1,572		(1,572)
NSF Amount	(640)	670	1,310
Transfer Checks	11,532		(11,532)
Global Deposits and Expenses not Recorded		(2,460)	(2,460)
Bond	1,496		(1,496)
STRS Withholdings	45,798	59,316	\$ 13,518
<b>Total</b>	<b>\$ 53,792</b>	<b>\$ 53,792</b>	

Failure to complete accurate bank reconciliations could result in fund being lost, stolen, or improperly posted without detection, resulting in the misstatement of the financial statements. We recommend the District prepare accurate reconciliations and have them reviewed and approved by someone other than the preparer.

**Officials' Response:**

We did not receive a response from Officials' to this finding.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

None



# Dave Yost • 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  
MARCH 26, 2013**