



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, Ohio, as of June 30, 2008, 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 January 6, 2009, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Mary Taylor, CPA**  
Auditor of State

January 6, 2009

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The management's discussion and analysis of the Gibsonburg Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities decreased \$441,107 which represents a 1.91% decrease from 2007.
- General revenues accounted for \$8,140,794 in revenue or 80.67% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,950,343 or 19.33% of total revenues of \$10,091,137.
- The District had \$10,532,244 in expenses related to governmental activities; \$1,950,343 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,140,794 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$8,163,988 in revenues and \$8,108,421 in expenditures. The general fund's fund balance increased \$55,567 from a balance of \$2,185,586 to \$2,241,153.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$4,272,642 in revenues and other financing sources and \$4,123,188 in expenditures and other financing uses. The debt service fund's fund balance increased \$149,454 from \$935,602 to \$1,085,056.

**Using these Basic Financial Statements**

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Fund Financial Statements**

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

**Governmental Funds**

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



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**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 2008 and 2007.

<b>Net Assets</b>		
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 7,768,541	\$ 8,078,018
Capital assets, net	<u>23,567,121</u>	<u>24,408,558</u>
Total assets	<u>31,335,662</u>	<u>32,486,576</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,270,883	3,374,777
Long-term liabilities	<u>5,397,866</u>	<u>6,003,779</u>
Total liabilities	<u>8,668,749</u>	<u>9,378,556</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	18,811,125	19,307,562
Restricted	2,158,681	1,996,989
Unrestricted	<u>1,697,107</u>	<u>1,803,469</u>
Total net assets	<u>\$ 22,666,913</u>	<u>\$ 23,108,020</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$22,666,913. Of this total, \$1,697,107 is unrestricted in use.

At year-end, capital assets represented 75.21% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

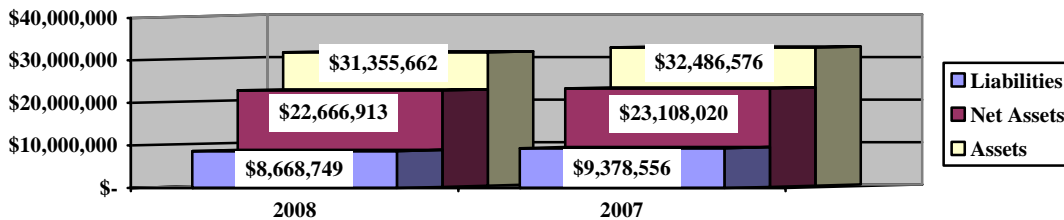
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$18,811,125. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,158,681, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,697,107 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 2008 and 2007:

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 815,448	\$ 553,774
Operating grants and contributions	1,128,989	1,208,476
Capital grants and contributions	5,906	12,557
General revenues:		
Property taxes	2,556,951	2,494,726
Grants and entitlements	5,371,753	5,274,269
Investment earnings	195,284	279,363
Other	16,806	46,129
<b>Total revenues</b>	<b>10,091,137</b>	<b>9,869,294</b>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Change in Net Assets**

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,284,347	\$ 5,276,205
Special	662,183	844,663
Vocational	166,074	155,575
Other	9,645	51,321
Support services:		
Pupil	390,968	403,954
Instructional staff	113,569	180,677
Board of education	50,953	76,308
Administration	780,010	1,007,582
Fiscal	439,532	287,057
Business	6,401	6,702
Operations and maintenance	1,123,857	1,125,433
Pupil transportation	346,971	459,921
Central	3,641	5,559
Operations of non-instructional services	135,277	96,426
Food service operations	509,150	508,039
Extracurricular activities	339,507	373,362
Interest and fiscal charges	<u>170,159</u>	<u>265,758</u>
Total expenses	<u>10,532,244</u>	<u>11,124,542</u>
Change in net assets	<u>(441,107)</u>	<u>(1,255,248)</u>
Beginning Balance	<u>23,108,020</u>	<u>24,363,268</u>
Ending Balance	<u>\$ 22,666,913</u>	<u>\$ 23,108,020</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$441,107. Total governmental expenses of \$10,532,244 were offset by program revenues of \$1,950,343 and general revenues of \$8,140,794. Program revenues supported 18.52% of the total governmental expenses.

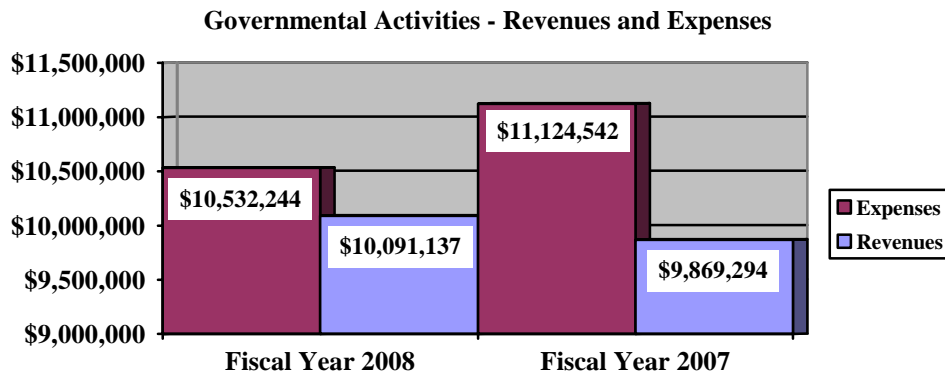
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 78.57% of total governmental revenue.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,122,249 or 58.13% of total governmental expenses for fiscal 2008.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.



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  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**Governmental Activities**

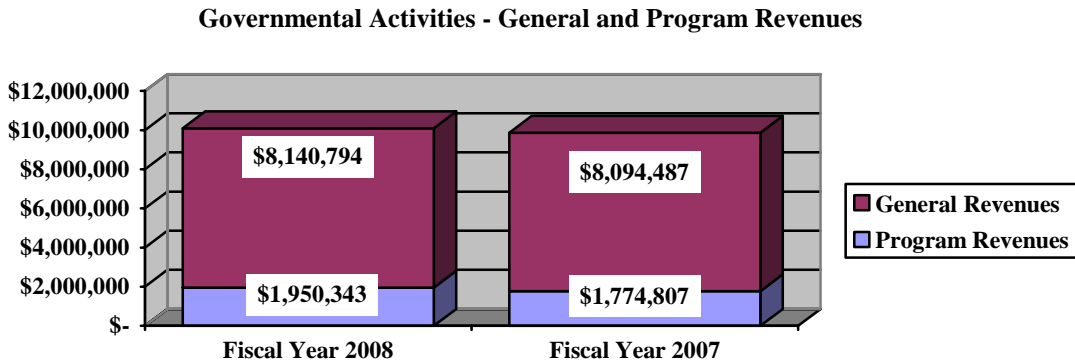
	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program expenses:				
Instruction:				
Regular	\$ 5,284,347	\$ 4,802,663	\$ 5,276,205	\$ 5,020,703
Special	662,183	(105,648)	844,663	89,486
Vocational	166,074	127,550	155,575	121,191
Other	9,645	4,819	51,321	(7,252)
Support services:				
Pupil	390,968	384,355	403,954	387,972
Instructional staff	113,569	91,416	180,677	150,906
Board of Education	50,953	50,953	76,308	76,308
Administration	780,010	769,429	1,007,582	987,374
Fiscal	439,532	439,126	287,057	287,001
Business	6,401	6,401	6,702	6,702
Operations and maintenance	1,123,857	1,105,630	1,125,433	1,112,435
Pupil transportation	346,971	327,549	459,921	435,574
Central	3,641	1,211	5,559	2,859
Operation of non-instructional services	135,277	119,467	96,426	88,527
Food service operations	509,150	72,507	508,039	88,758
Extracurricular activities	339,507	214,314	373,362	235,433
Interest and fiscal charges	<u>170,159</u>	<u>170,159</u>	<u>265,758</u>	<u>265,758</u>
 Total expenses	 <u>\$ 10,532,244</u>	 <u>\$ 8,581,901</u>	 <u>\$ 11,124,542</u>	 <u>\$ 9,349,735</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 78.88% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.48%. The District's taxpayers and unrestricted grants and entitlements, as a whole, are the primary support for District's students.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,248,061, which is higher than last year's total of \$4,224,606. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)	Percentage Change
General	\$ 2,241,153	\$ 2,185,586	\$ 55,567	2.54 %
Debt Service	1,085,056	935,602	149,454	15.97 %
Other Governmental	921,852	1,103,418	(181,566)	(16.45) %
<b>Total</b>	<b>\$ 4,248,061</b>	<b>\$ 4,224,606</b>	<b>\$ 23,455</b>	<b>0.56 %</b>

**General Fund**

The District's general fund's fund balance increased \$55,567. The increase in fund balance can be attributed to increasing revenues and decreasing expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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(Continued)**

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 1,914,333	\$ 1,868,242	\$ 46,091	2.47 %
Tuition	384,219	135,349	248,870	183.87 %
Earnings on investments	178,250	197,190	(18,940)	(9.60) %
Intergovernmental	5,666,456	5,550,463	115,993	2.09 %
Other revenues	<u>20,730</u>	<u>46,038</u>	<u>(25,308)</u>	(54.97) %
 Total	 <u>\$ 8,163,988</u>	 <u>\$ 7,797,282</u>	 <u>\$ 366,706</u>	 4.70 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,883,096	\$ 5,108,713	\$ (225,617)	(4.42) %
Support services	2,894,554	3,190,259	(295,705)	(9.27) %
Non-instructional services	118,271	89,191	29,080	32.60 %
Extracurricular activities	<u>212,500</u>	<u>225,403</u>	<u>(12,903)</u>	(5.72) %
 Total	 <u>\$ 8,108,421</u>	 <u>\$ 8,613,566</u>	 <u>\$ (505,145)</u>	 (5.86) %

The most significant change in revenues occurred in tuition and other revenues. Tuition increased by 183.87% due to a multitude of things. First, the District added a tuition-based Virtual Summer Learning Academy in fiscal year 2007. The District also saw an increased enrollment in its tuition-based preschool enrollment. Finally, the number of open enrollment students increased in fiscal year 2008, which also brought a rise in tuition. In mid-fiscal year 2007, the District corrected a receipt and posting issue relating to open enrollment tuition. Since this change, the District now sees open enrollment revenue from the state foundation posted to the correct tuition-based revenue accounts. Earnings on investments dropped as the overall state of economy and interest rates declined in fiscal year 2008.

There was a 54.97% decrease in other revenues although a large percentage is immaterial when the dollar amount is compared to total revenues. Fiscal year 2007 was an abnormal year for the other revenue category when compared to historical averages. Other revenue fell as areas like donations and monetary fines collection fell.

Overall, expenditures decreased 5.86%. The most significant change was in non-instructional services. Non-instructional services increased 32.60% primarily due the increase in costs related to utilities, purchased services, and commodity-type supplies. The District is not immune to the inflationary pressures and increases seen in the rest of the economy for similar goods and services.

***Debt Service Fund***

The debt service fund had \$4,272,642 in revenues and other financing sources and \$4,123,188 in expenditures and other financing uses. The debt service fund's fund balance increased from \$935,602 to \$1,085,056 due to revenues exceeding debt payments.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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(Continued)**

***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 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,171,207 and final budgeted revenues and other financing sources were \$8,109,761. Actual revenues and other financing sources were the same as final budget. This represents a \$61,446 decrease below original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$9,454,106 and final appropriations were also \$9,454,106. The actual budget basis expenditures for fiscal year 2008 totaled \$8,591,798, which was \$862,308 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2008, the District had \$23,567,121 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (net of depreciation). This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 759,542	\$ 759,542
Land improvements	1,978,176	1,910,052
Building and improvements	19,811,113	20,369,176
Furniture and equipment	798,787	973,846
Vehicles	213,503	208,077
Construction in progress	6,000	187,865
 Total	 \$ 23,567,121	 \$ 24,408,558

The overall decrease in capital assets of \$841,437 is due to depreciation expense of \$988,638 and deletions of \$187,865 being greater than capital assets additions of \$335,066 during 2008.



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

***Debt Administration***

At June 30, 2008, the District had \$537,077 in capital appreciation bonds and accreted interest, \$4,050,000 in current interest bonds and \$327,000 in a lease purchase agreement outstanding. Of this total, \$335,000 is due within one year and \$4,579,077 is due in greater than one year. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Capital appreciation bonds and accreted interest	\$ 537,077	\$ 320,308
Current interest bonds	4,050,000	4,515,000
Lease purchase agreement	<u>327,000</u>	<u>392,000</u>
Total	<u>\$ 4,914,077</u>	<u>\$ 5,227,308</u>

At June 30, 2008, the District's overall legal debt margin was \$3,879,900 and an unvoted debt margin of \$92,321.

**Current Financial Related Activities**

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

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

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

All of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the Board and administrative team continue to carefully and prudently plan in order to provide the resources required to meet students desired needs over the next several years, operating within the means of our budget.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Contacting the District's Financial Management**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 4,860,861
Receivables:	
Taxes . . . . .	2,663,397
Accounts . . . . .	2,737
Intergovernmental . . . . .	132,188
Accrued interest . . . . .	8,088
Prepayments . . . . .	20,030
Materials and supplies inventory . . . . .	7,443
Unamortized bond issue costs . . . . .	73,797
Capital assets:	
Land . . . . .	759,542
Construction in progress . . . . .	6,000
Depreciable capital assets, net . . . . .	22,801,579
Capital assets, net . . . . .	23,567,121
Total assets . . . . .	31,335,662
<b>Liabilities:</b>	
Accounts payable. . . . .	74,645
Accrued wages and benefits . . . . .	776,628
Pension obligation payable. . . . .	212,673
Intergovernmental payable . . . . .	20,154
Unearned revenue . . . . .	2,166,145
Accrued interest payable . . . . .	20,638
Long-term liabilities:	
Due within one year . . . . .	342,054
Due in more than one year. . . . .	5,055,812
Total liabilities. . . . .	8,668,749
<b>Net Assets:</b>	
Invested in capital assets, net	
of related debt. . . . .	18,811,125
Restricted for:	
Capital projects . . . . .	498,005
Debt service. . . . .	1,094,825
Classroom facilities and maintenance. . . . .	256,462
State funded programs. . . . .	4,799
Federally funded programs . . . . .	63,260
Student activities . . . . .	48,863
Other purposes . . . . .	192,467
Unrestricted. . . . .	1,697,107
Total net assets . . . . .	\$ 22,666,913

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, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,284,347	\$ 424,812	\$ 56,872		\$ (4,802,663)
Special. . . . .	662,183	889	766,942		105,648
Vocational. . . . .	166,074		38,524		(127,550)
Other . . . . .	9,645		4,826		(4,819)
Support services:					
Pupil. . . . .	390,968		6,613		(384,355)
Instructional staff . . . . .	113,569		22,153		(91,416)
Board of education . . . . .	50,953				(50,953)
Administration. . . . .	780,010		10,581		(769,429)
Fiscal. . . . .	439,532		406		(439,126)
Business. . . . .	6,401				(6,401)
Operations and maintenance . . . . .	1,123,857	3,924	14,303		(1,105,630)
Pupil transportation. . . . .	346,971		13,516	\$ 5,906	(327,549)
Central . . . . .	3,641		2,430		(1,211)
Operation of non-instructional					
services. . . . .	135,277	3,092	12,718		(119,467)
Food service operations. . . . .	509,150	263,135	173,508		(72,507)
Extracurricular activities. . . . .	339,507	119,596	5,597		(214,314)
Interest and fiscal charges . . . . .	170,159				(170,159)
<b>Total governmental activities. . . . .</b>	<b><u>\$ 10,532,244</u></b>	<b><u>\$ 815,448</u></b>	<b><u>\$ 1,128,989</u></b>	<b><u>\$ 5,906</u></b>	<b><u>(8,581,901)</u></b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					1,919,627
Special revenue . . . . .					33,080
Debt service. . . . .					562,299
Capital projects . . . . .					41,945
Grants and entitlements not restricted					
to specific programs. . . . .					5,371,753
Investment earnings . . . . .					195,284
Miscellaneous . . . . .					16,806
<b>Total general revenues. . . . .</b>					<b><u>8,140,794</u></b>
Change in net assets . . . . .					(441,107)
<b>Net assets at beginning of year. . . . .</b>					<b><u>23,108,020</u></b>
<b>Net assets at end of year . . . . .</b>					<b><u>\$ 22,666,913</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<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 cash equivalents . . . . .	\$ 2,680,284	\$ 1,010,265	\$ 977,845	\$ 4,668,394
Receivables:				
Taxes . . . . .	1,997,135	587,282	78,980	2,663,397
Accounts . . . . .	5		2,732	2,737
Intergovernmental . . . . .	20,043		112,145	132,188
Accrued interest . . . . .	8,088			8,088
Prepayments . . . . .	20,030			20,030
Materials and supplies inventory . . . . .			7,443	7,443
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	192,467			192,467
Total assets . . . . .	<u>4,918,052</u>	<u>1,597,547</u>	<u>1,179,145</u>	<u>7,694,744</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	65,055		9,590	74,645
Accrued wages and benefits . . . . .	683,010		93,618	776,628
Compensated absences payable . . . . .	1,871			1,871
Pension obligation payable . . . . .	178,672		34,001	212,673
Intergovernmental payable . . . . .	17,489		2,665	20,154
Deferred revenue . . . . .	111,423	30,407	52,737	194,567
Unearned revenue . . . . .	1,619,379	482,084	64,682	2,166,145
Total liabilities . . . . .	<u>2,676,899</u>	<u>512,491</u>	<u>257,293</u>	<u>3,446,683</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	22,441		6,543	28,984
Reserved for materials and supplies inventory . . . . .			7,443	7,443
Reserved for prepayments . . . . .	20,030			20,030
Reserved for property tax unavailable for appropriation . . . . .	268,621	74,791	10,168	353,580
Reserved for capital acquisition . . . . .	111,069			111,069
Reserved for budget stabilization . . . . .	29,274			29,274
Reserved for bus purchase . . . . .	52,124			52,124
Unreserved, undesignated, reported in:				
General fund . . . . .	1,737,594			1,737,594
Special revenue funds . . . . .			408,058	408,058
Debt service fund . . . . .		1,010,265		1,010,265
Capital projects funds . . . . .			489,640	489,640
Total fund balances . . . . .	<u>2,241,153</u>	<u>1,085,056</u>	<u>921,852</u>	<u>4,248,061</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,918,052</u>	<u>\$ 1,597,547</u>	<u>\$ 1,179,145</u>	<u>\$ 7,694,744</u>

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, 2008**

<b>Total governmental fund balances</b>	\$	4,248,061
<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.		23,567,121
Federal donated commodities are not reported in the funds.		
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 143,672	
Intergovernmental revenue	48,607	
Accrued interest	<u>2,288</u>	
Total		194,567
Unamortized premiums on bond issuance are not recognized in the funds.		(285,589)
Unamortized bond issuance costs are not recognized in the funds.		73,797
Unamortized deferred amounts on refundings are not recognized in the funds.		211,787
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(20,638)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(408,116)	
Lease purchase payable	(327,000)	
General obligation bonds payable	<u>(4,587,077)</u>	
Total		<u>(5,322,193)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>22,666,913</u></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 BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,914,333	\$ 562,579	\$ 75,055	\$ 2,551,967
Tuition . . . . .	384,219			384,219
Charges for services . . . . .			263,135	263,135
Earnings on investments . . . . .	178,250	7,736	11,064	197,050
Extracurricular . . . . .			120,928	120,928
Classroom materials and fees . . . . .			40,377	40,377
Other local revenues . . . . .	20,730		6,158	26,888
Intergovernmental - State . . . . .	5,666,456	67,481	118,962	5,852,899
Intergovernmental - Federal . . . . .			597,795	597,795
Total revenue . . . . .	<u>8,163,988</u>	<u>637,796</u>	<u>1,233,474</u>	<u>10,035,258</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,528,663		119,995	4,648,658
Special . . . . .	205,454		443,640	649,094
Vocational . . . . .	148,979			148,979
Other . . . . .			9,645	9,645
Support services:				
Pupil . . . . .	387,683		5,562	393,245
Instructional staff . . . . .	78,935		21,998	100,933
Board of education . . . . .	50,953			50,953
Administration . . . . .	733,603		9,370	742,973
Fiscal . . . . .	422,355	10,553	2,037	434,945
Business . . . . .	6,401			6,401
Operations and maintenance . . . . .	861,318		193,207	1,054,525
Pupil transportation . . . . .	352,091		2,104	354,195
Central . . . . .	1,215		2,426	3,641
Food service operations . . . . .			453,988	453,988
Other non-instructional services . . . . .	118,271		17,006	135,277
Extracurricular activities . . . . .	212,500		134,062	346,562
Debt service:				
Principal retirement . . . . .		345,000		345,000
Interest and fiscal charges . . . . .		132,789		132,789
Bond issuance costs . . . . .		76,190		76,190
Total expenditures . . . . .	<u>8,108,421</u>	<u>564,532</u>	<u>1,415,040</u>	<u>10,087,993</u>
Excess of revenues over (under) expenditures . . . . .	<u>55,567</u>	<u>73,264</u>	<u>(181,566)</u>	<u>(52,735)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .			107	107
Transfers (out) . . . . .			(107)	(107)
Sale of refunding bonds . . . . .		3,339,995		3,339,995
Premium on refunding bonds sold . . . . .		294,851		294,851
Payment to refunded bond escrow agent . . . . .		(3,558,656)		(3,558,656)
Total other financing sources (uses) . . . . .		<u>76,190</u>		<u>76,190</u>
Net change in fund balances . . . . .	55,567	149,454	(181,566)	23,455
<b>Fund balances at beginning of year . . . . .</b>	<u>2,185,586</u>	<u>935,602</u>	<u>1,103,418</u>	<u>4,224,606</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,241,153</u>	<u>\$ 1,085,056</u>	<u>\$ 921,852</u>	<u>\$ 4,248,061</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, 2008**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 23,455</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay	\$ 147,201	
Current year depreciation	(988,638)	
Total		(841,437)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	4,984	
Intergovernmental revenue	48,607	
Accrued interest	2,288	
Total		55,879
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		345,000
Issuances of refunding bonds are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(3,339,995)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred in the fiscal year:		
Bonds refunded	3,340,000	
Deferred charges on refundings	218,656	
Total		3,558,656
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported on the statement of activities:		
Increase in accrued interest payable	(5,596)	
Accretion of interest on "capital appreciation" bonds	(31,774)	
Amortization of bond premium	9,262	
Amortization of deferred charges on refundings	(6,869)	
Amortization of bond issue costs	(2,393)	
Total		(37,370)
Premiums on debt issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(294,851)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		76,190
Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
		13,366
<b>Change in net assets of governmental activities</b>		<b>\$ (441,107)</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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<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:				
Taxes . . . . .	\$ 1,896,404	\$ 1,882,139	\$ 1,882,139	
Tuition. . . . .	387,131	384,219	384,219	
Earnings on investments. . . . .	177,571	176,235	176,235	
Other local revenues . . . . .	18,380	18,242	18,242	
Intergovernmental - State . . . . .	5,689,208	5,646,413	5,646,413	
Total revenue . . . . .	<u>8,168,694</u>	<u>8,107,248</u>	<u>8,107,248</u>	
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,906,358	4,906,358	4,820,262	\$ 86,096
Special. . . . .	411,373	411,373	277,736	133,637
Vocational. . . . .	154,610	154,610	150,670	3,940
Support services:				
Pupil. . . . .	399,020	399,020	395,953	3,067
Instructional staff . . . . .	226,656	226,656	142,688	83,968
Board of education . . . . .	61,975	61,975	50,123	11,852
Administration. . . . .	808,696	808,696	812,919	(4,223)
Fiscal . . . . .	443,738	443,738	424,961	18,777
Business . . . . .	6,425	6,425	6,401	24
Operations and maintenance. . . . .	1,026,195	1,026,195	838,566	187,629
Pupil transportation . . . . .	355,159	355,159	337,103	18,056
Central. . . . .	3,500	3,500	1,215	2,285
Operation of non-instructional services . . . . .	198,091	198,091	115,072	83,019
Extracurricular activities. . . . .	202,310	202,310	218,129	(15,819)
Total expenditures . . . . .	<u>9,204,106</u>	<u>9,204,106</u>	<u>8,591,798</u>	<u>612,308</u>
Excess of revenues over (under) expenditures. . . . .	<u>(1,035,412)</u>	<u>(1,096,858)</u>	<u>(484,550)</u>	<u>612,308</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(250,000)	(250,000)		250,000
Sale of assets . . . . .	2,513	2,513	2,513	
Total other financing sources (uses) . . . . .	<u>(247,487)</u>	<u>(247,487)</u>	<u>2,513</u>	<u>250,000</u>
Net change in fund balance . . . . .	(1,282,899)	(1,344,345)	(482,037)	862,308
<b>Fund balance at beginning of year. . . . .</b>	3,149,853	3,149,853	3,149,853	
<b>Prior year encumbrances appropriated . . . . .</b>	157,943	157,943	157,943	
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,024,897</u>	<u>\$ 1,963,451</u>	<u>\$ 2,825,759</u>	<u>\$ 862,308</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 62,452	\$ 56,304
Receivables:		
Accounts . . . . .		65
Total assets. . . . .	62,452	56,369
<b>Liabilities:</b>		
Accounts payable. . . . .		1,086
Intergovernmental payable . . . . .	3,450	
Due to students . . . . .		55,283
Total liabilities . . . . .	3,450	\$ 56,369
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	59,002	
Total net assets . . . . .	\$ 59,002	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		<b>Private-Purpose Trust</b>	
<b>Additions:</b>			
Interest . . . . .	\$	1,983	
Gifts and contributions. . . . .		2,000	
Total additions and changes in net assets. . .		3,983	
<b>Deductions:</b>			
Scholarships awarded . . . . .		6,899	
Change in net assets . . . . .		(2,916)	
<b>Net assets at beginning of year. . . . .</b>		<b>61,918</b>	
<b>Net assets at end of year . . . . .</b>	<b>\$</b>	<b>59,002</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

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

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

The District currently operates one elementary school and one comprehensive jr. high and high school. The District employs 41 non-certified and 83 certified (including administrative) full-time and part-time employees to provide services to approximately 1,113 students in grades K through 12 and various community groups, which ranks it 457<sup>th</sup> out of approximately 896 public and community school districts in Ohio.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(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, 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

*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 staggered two-year terms. Financial information is available from the Erie County Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870. The District paid \$72,272 to BACG during fiscal year 2008.

Vanguard Sentinel Career Center (the "Career Center")

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(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 Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$37,104 to NOECA for various services during fiscal year 2008.

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Plan

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

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

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

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

**B. Fund Accounting**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

**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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

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

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

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

**D. Basis of Accounting**

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

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



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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, 2008, but which were levied to finance fiscal year 2009 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, 2008 are recorded as deferred revenue.

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

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination. The Sandusky County Budget Commission waived this requirement for fiscal 2008.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Certificate of Estimated Resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of budgetary control.
5. Any revisions that alter the total of any fund object 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, 2008; 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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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 2008, investments were limited to federal agency securities, negotiable CD's, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2008, the District invested in State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

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 2008 amounted to \$178,250, which includes \$59,512 assigned from other funds.

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

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

**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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**H. Capital Assets**

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

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

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

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

**I. 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, 2008, 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, all employees with 50 years of age and at least 8 years of service or 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008 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.

**J. Accrued Liabilities and Long-Term Obligations**

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

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

**K. Fund Balance Reserves**

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

**L. 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.

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**M. 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.

**N. 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.

**O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a budget stabilization reserve, capital acquisition reserve and bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 16.

**P. 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.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2008 the District had no extraordinary or special items.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", and GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues".

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefit plans and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2008, included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Management information systems	\$ 4
Public school support	5,534
SchoolNet professional	3
Title I	2,169
Drug free school grant	8
Preschool	11
Reducing class size	5,415
Miscellaneous federal grants	2

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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

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

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.



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

**A. Cash on Hand**

At year-end, the District had \$3,675 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$3,272,473. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$2,998,169 of the District's bank balance of \$3,298,169 was exposed to custodial risk as discussed below, while \$300,000 was covered by the Federal Deposit Insurance Corporation.

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.

**C. Investments**

As of June 30, 2008, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	19 to 24 months	Greater than 24 months
FHLM	\$ 98,823				\$ 98,823
FNMA	99,469				99,469
FHLB	251,235		\$ 99,781		151,454
FFCB	98,938			\$ 98,938	
Negotiable CDs	297,000			99,000	198,000
STAR Ohio	858,004	\$ 858,004	-	-	-
	<u>\$ 1,703,469</u>	<u>\$ 858,004</u>	<u>\$ 99,781</u>	<u>\$ 197,938</u>	<u>\$ 547,746</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLM	\$ 98,823	5.80
FNMA	99,469	5.84
FHLB	251,235	14.75
FFCB	98,938	5.81
Negotiable CDs	297,000	17.43
STAR Ohio	858,004	50.37
Total	\$ 1,703,469	100.00

**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 footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 3,272,473
Investments	1,703,469
Cash on hand	3,675
Total	\$ 4,979,617

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,860,861
Private-purpose trust fund	62,452
Agency funds	<u>56,304</u>
 Total	 <u>\$ 4,979,617</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 107</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move debt proceeds to the fund which is required to expend them.

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. For 2007, tangible personal property was assessed at 12.5% for property including inventory. This percentage was reduced to 6.25% for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, 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.

The amount available as an advance at June 30, 2008, was \$268,621 in the general fund, \$74,791 in the debt service fund, \$5,667 in the permanent improvement capital projects fund (a nonmajor governmental fund) and \$4,501 in the classroom maintenance special revenue fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007, was \$236,427 in the general fund, \$69,787 in the debt service fund, \$5,145 in the permanent improvement capital projects fund (a nonmajor governmental fund) and \$4,321 in the classroom maintenance special revenue fund (a nonmajor governmental fund).

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 88,928,110	93.72	\$ 88,818,270	95.07
Public utility personal	3,851,640	4.06	3,525,590	3.77
Tangible personal property	<u>2,103,560</u>	<u>2.22</u>	<u>1,081,744</u>	<u>1.16</u>
Total	<u>\$ 94,883,310</u>	<u>100.00</u>	<u>\$ 93,425,604</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$55.30		\$55.30	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008, consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Taxes	\$ 2,663,397
Accounts	2,737
Intergovernmental	132,188
Accrued interest	<u>8,088</u>
Total	<u>\$ 2,806,410</u>

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 759,542			\$ 759,542
Construction in progress	187,865	\$ 6,000	\$ (187,865)	6,000
Total capital assets, not being depreciated	<u>947,407</u>	<u>6,000</u>	<u>(187,865)</u>	<u>765,542</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,438,083	199,965		2,638,048
Buildings and improvements	23,265,813	12,167		23,277,980
Furniture and equipment	1,741,814	45,884		1,787,698
Vehicles	674,675	71,050		745,725
Total capital assets, being depreciated	<u>28,120,385</u>	<u>329,066</u>		<u>28,449,451</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(528,031)	(131,841)		(659,872)
Buildings and improvements	(2,896,637)	(570,230)		(3,466,867)
Furniture and equipment	(767,968)	(220,943)		(988,911)
Vehicles	(466,598)	(65,624)		(532,222)
Total accumulated depreciation	<u>(4,659,234)</u>	<u>(988,638)</u>		<u>(5,647,872)</u>
Governmental activities capital assets, net	<u>\$ 24,408,558</u>	<u>\$ (653,572)</u>	<u>\$ (187,865)</u>	<u>\$ 23,567,121</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 653,731
Special	25,173
Vocational	17,095
<u>Support Services:</u>	
Pupil	524
Instructional staff	12,636
Administration	38,417
Operations and maintenance	119,678
Pupil transportation	65,624
Food service operation	53,935
Extracurricular activities	1,825
Total depreciation expense	<u>\$ 988,638</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 9 - LEASE-PURCHASE OBLIGATION**

During fiscal 2005, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the acquisition and construction of an athletic out-building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments is general operating revenue of the District. During fiscal year 2008, the District made \$65,000 in principal payments and \$15,774 in interest and administrative fees on the lease-purchase agreement.

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 77,934
2010	75,093
2011	72,253
2012	69,413
2013	<u>68,496</u>
Total minimum lease payments	363,189
Less amount representing interest	<u>(36,189)</u>
Total	<u>\$ 327,000</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds - Series 2001					
Current interest	\$ 4,515,000		\$ (3,555,000)	\$ 960,000	\$ 225,000
Capital appreciation	193,996			193,996	
Accreted interest	126,312	\$ 28,096		154,408	
Refunding bonds - Series 2007					
Current interest		3,155,000	(65,000)	3,090,000	45,000
Capital appreciation		184,995		184,995	
Accreted interest		3,678		3,678	
Total general obligation bonds	<u>4,835,308</u>	<u>3,371,769</u>	<u>(3,620,000)</u>	<u>4,587,077</u>	<u>270,000</u>
Compensated absences	776,471	17,313	(383,797)	409,987	7,054
Lease purchase obligation	<u>392,000</u>		<u>(65,000)</u>	<u>327,000</u>	<u>65,000</u>
Total	<u>\$ 6,003,779</u>	<u>\$ 3,389,082</u>	<u>\$ (4,068,797)</u>	<u>5,324,064</u>	<u>\$ 342,054</u>
Add: Unamortized premium on refunding				285,589	
Less: Unamortized deferred charge on refunding				<u>(211,787)</u>	
Total on statement of net assets				<u>\$ 5,397,866</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). Effective July 1, 2006, the District offered a retirement incentive. The incentive, if certain criteria are met, offers a one time payment of \$30,000 to be made on the first payroll in January of the calendar year following the year an employee officially retires. At June 30, 2008, there was no retirement incentive payable included in compensated absences.

Series 2001 General Obligation Bonds: On June 1, 2001, the District issued \$5,778,996 in general obligation bonds (Series 2001, School Facilities Improvement Bonds), which represented the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 7.00 (average) mill bonded debt tax levy.

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



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 10 - 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 \$154,408 has been included in the statement of net assets at June 30, 2008.

*Series 2007 Refunding General Obligation Bonds:* On October 11, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2001 General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded current interest bonds at June 30, 2008, is \$3,125,000.

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 \$3,678 has been included in the statement of net assets at June 30, 2008.

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. This advance refunding was undertaken to reduce the combined total debt service payments over the next 16 years by \$165,922 and resulted in an economic gain of \$102,720.

- B.** Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30	Current Interest Bonds - Series 2001			Capital Appreciation Bonds - Series 2001		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 225,000	\$ 36,661	\$ 261,661			
2010	235,000	12,599	247,599			
2011	245,000	16,675	261,675			
2012	255,000	5,674	260,674			
2013				\$ 101,073	\$ 163,927	\$ 265,000
2014				92,923	172,077	265,000
Total	<u>\$ 960,000</u>	<u>\$ 71,609</u>	<u>\$ 1,031,609</u>	<u>\$ 193,996</u>	<u>\$ 336,004</u>	<u>\$ 530,000</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 10 - 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
2009	\$ 45,000	\$ 123,170	\$ 168,170			
2010	45,000	121,483	166,483			
2011	45,000	119,795	164,795			
2012	50,000	118,014	168,014			
2013	50,000	116,139	166,139			
2014 - 2018	705,000	489,268	1,194,268	\$ 184,995	\$ 510,005	\$ 695,000
2019 - 2023	1,865,000	254,236	2,119,236			
2024	<u>285,000</u>	<u>5,878</u>	<u>290,878</u>			
Total	<u>\$ 3,090,000</u>	<u>\$ 1,347,983</u>	<u>\$ 4,437,983</u>	<u>\$ 184,995</u>	<u>\$ 510,005</u>	<u>\$ 695,000</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$3,879,900 and an unvoted debt margin of \$92,321.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - RISK MANAGEMENT – (Continued)**

During fiscal year 2008 the District purchased from Securance Service Inc. (through the Indiana Insurance Company) the following insurance coverage:

Building and Contents	\$ 31,540,253
Umbrella Liability:	
Per Occurrence	5,000,000
Aggregate	5,000,000
Commercial Liability:	
Per Occurrence	1,000,000
Aggregate	2,000,000
Auto Liability:	
Per Occurrence	1,000,000
Employee Benefits Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Sexual Misconduct and Molestation Liability	
Per Occurrence	1,000,000
Aggregate	1,000,000
Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
School Leaders Errors and Omissions	
Per Occurrence	1,000,000
Aggregate	\$ 1,000,000

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2007.

**B. Group Health Insurance**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - RISK MANAGEMENT – (Continued)**

**C. 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 UniService, 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 13. As such, no funding provisions are required by the District.

**NOTE 12 - 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. 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 *Forms and Publications*.

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$89,709, \$98,098 and \$103,028, respectively; 34.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 - PENSION PLANS – (Continued)**

**B. State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For fiscal year 2008, 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, 2008, 2007, and 2006, were \$646,095, \$616,209 and \$587,890, respectively; 85.92 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$609 made by the District and \$1,078 made by the plan members.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 - PENSION PLANS – (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$63,070, \$53,488 and \$42,043, respectively; 34.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$6,464, \$6,671 and \$8,200, respectively; 34.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)**

**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) 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 2008, 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, 2008, 2007, and 2006, were \$49,700, \$47,401 and \$45,222, respectively; 85.92 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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	\$ (482,037)
Net adjustment for revenue accruals	56,740
Net adjustment for expenditure accruals	432,600
Net adjustment for other sources/uses	(2,513)
Adjustment for encumbrances	<u>50,777</u>
GAAP basis	<u>\$ 55,567</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks/ Instructional Supplies</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2007	\$ (27,151)	\$ 5,711	\$ 29,274
Current year set-aside requirement	175,672	175,672	
Current year offsets		(32,972)	
Qualifying disbursements	<u>(218,261)</u>	<u>(37,342)</u>	<u>          </u>
Total	<u>(69,740)</u>	<u>111,069</u>	<u>29,274</u>
Cash balance carried forward to FY 2009	<u>\$ (69,740)</u>	<u>\$111,069</u>	<u>\$ 29,274</u>

The District may carry the excess balance spent of \$69,740 for textbooks/instructional supplies to fiscal year 2009.

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

A schedule of the restricted assets at June 30, 2008 follows:

Fund balance - reserved for capital acquisition	\$ 111,069
Fund balance - reserved for school bus purchases	52,124
Fund balance - reserved for budget stabilization	<u>29,274</u>
Total restricted assets	<u>\$ 192,467</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
Food Donation	10.550		\$55,571		\$55,571
Nutrition Cluster:					
School Breakfast Program	10.553	\$15,175		\$15,175	
National School Lunch Program	10.555	140,275		140,275	
Total Nutrition Cluster		155,450		155,450	
Total U.S. Department of Agriculture		155,450	55,571	155,450	55,571
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
<u>Special Education Cluster:</u>					
Special Education Grants to States	84.027	269,362		279,147	
Special Education Preschool Grants	84.173	5,148		5,148	
Total Special Education Cluster		274,510		284,295	
<i>Passed Through Perrysburg Exempted Village School District:</i>					
English Language Acquisition Grants	84.365	5,768		5,768	
<i>Passed Through Ohio Department of Education:</i>					
English Language Acquisition Grants	84.365			2,605	
Total English Language Acquisition Grants	84.365	5,768		8,373	
Title I Grants to Local Educational Agencies	84.010	84,092		80,605	
Migrant Education State Grant Program	84.011	57,407		54,127	
State Grants for Innovative Programs	84.298	823		823	
Education Technology State Grants	84.318	1,014		1,214	
Safe and Drug-Free Schools and Communities National Programs	84.186	3,569		3,569	
Improving Teacher Quality State Grants	84.367	48,522		56,182	
Total Department of Education		475,705		489,188	
<b>Total Federal Award Expenditures</b>		<b>\$631,155</b>	<b>\$55,571</b>	<b>\$644,638</b>	<b>\$55,571</b>

*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, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

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# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2009. 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 expressing our opinions on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated January 6, 2009.

#### **Compliance and Other Matters**

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

We did note a certain noncompliance matter that we reported to the District's management in a separate letter dated January 6, 2009.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

January 6, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Gibsonburg Exempted Village School District, Sandusky County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Gibsonburg Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

January 6, 2009



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**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 other 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 other 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?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster – CFDA #’s 84.027 and 84.173
<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 2008-001**

**Significant Deficiency**

**Concessions**

During fiscal year 2008, the Board operated a concession stand at various sporting events within the District. However, there was no documentation or inventory to support the amount of goods purchased, sold or receipted at the concession stands. To improve controls over concession revenues, we recommend the District either develop an inventory tracking system and use cash registers to appropriately monitor and track concession revenues, or contract with an outside vendor who can provide these services. The District should also refer to the *Cash Handling Policies* article contained in the Fall 2007 AOS *Best Practices* Newsletter for guidance on developing and implementing internal controls for over-the-counter cash receipts.

**Official's Response**

The District is attempting to monitor the beginning and ending inventory levels of the athletic concession stands for profit and loss analysis. The District is also attempting to return concession stand management duties back to one or more of the District's booster organizations.

**3. FINDINGS FOR FEDERAL AWARDS**

**None**

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-GEVSD-001	ORC 5705.39 – Appropriations exceeded estimated resources.	Yes	
2007-GEVSD-002	ORC 5705.36 – Requesting amended certificates of estimated resources.	Yes	
2007-GEVSD-003	ORC 5705.40 – Not properly approving appropriation amendments.	Yes	
2007-GEVSD-004	ORC 5705.41(B) – Expenditures exceeded Appropriations	No	Partially corrected, repeated in management letter.





**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 22, 2009