



Dave Yost • Auditor of State



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gibsonburg Exempted Village School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gibsonburg Exempted Village School District, Sandusky County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Award Receipt and Expenditure Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2015

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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, 2014. 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 fiscal year 2014 are as follows:

- In total, net position of governmental activities decreased \$833,723 which represents a 4.64% decrease from net position at June 30, 2013.
- General revenues accounted for \$8,482,358 in revenue or 81.33% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,947,113 or 18.67% of total revenues of \$10,429,471.
- The District had \$11,263,194 in expenses related to governmental activities; program specific charges for services, grants and contributions offset \$1,947,113 of these expenses. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,482,358 were inadequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$9,101,669 in revenues and other financing sources and \$9,403,887 in expenditures. The general fund's fund balance decreased \$302,218 from a balance of \$274,953 to a deficit of \$27,265.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$559,198 in revenues and \$442,235 in expenditures. The debt service fund's fund balance increased \$116,963 from \$1,402,881 to a balance of \$1,519,844.

**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 position 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 District's 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, 2014  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers 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 position and changes in net position. The change in net position 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 position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported on the modified accrual basis of 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 to 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 position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

***Reporting the District's Fiduciary Responsibilities***

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Notes to the Basic Financial Statements**

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

**The District as a Whole**

The table below provides a summary of the District's net position for fiscal years 2014 and 2013.

	<b>Net Position</b>	
	Governmental Activities 2014	Governmental Activities 2013
<b><u>Assets</u></b>		
Current and other assets	\$ 4,934,137	\$ 5,219,537
Capital assets, net	<u>19,611,477</u>	<u>20,173,492</u>
Total assets	<u>24,545,614</u>	<u>25,393,029</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>129,361</u>	<u>143,099</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,085,408	1,091,345
Long-term liabilities	<u>4,353,595</u>	<u>4,270,576</u>
Total liabilities	<u>5,439,003</u>	<u>5,361,921</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>2,085,997</u>	<u>2,190,509</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	16,325,131	16,979,919
Restricted	1,342,652	1,130,200
Unrestricted (deficit)	<u>(517,808)</u>	<u>(126,421)</u>
Total net position	<u>\$ 17,149,975</u>	<u>\$ 17,983,698</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,149,975. Of this total, \$1,342,652 is restricted in use.

At year-end, capital assets represented 79.90% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2014, was \$16,325,131. Capital assets are used to provide services to the students and are not available for future spending. Although the District's net 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.

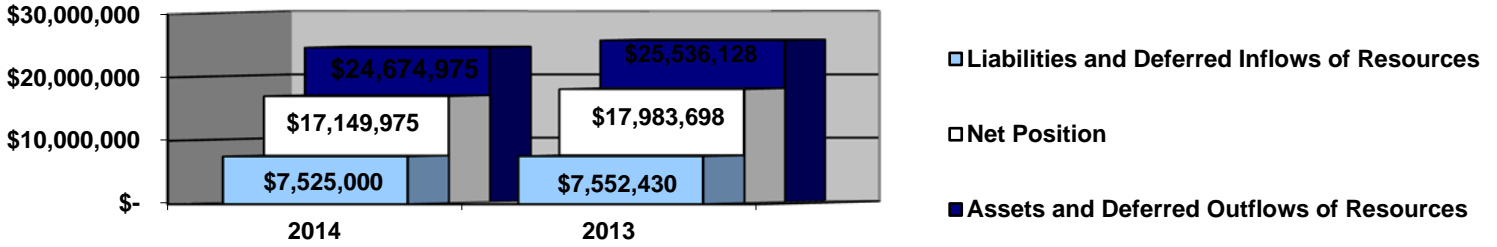
A portion of the District's net position, \$1,342,652 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$517,808.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

The table below provides a summary of the District's net position for 2014 and 2013:

**Governmental Activities**



**Governmental Activities**

Net position of the District's governmental activities decreased \$833,723. Total governmental expenses of \$11,263,194 were partially offset by program revenues of \$1,947,113 and general revenues of \$8,482,358. Program revenues supported 17.29% of the total governmental expenses. The primary sources of general revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 81.18% of total governmental revenue. Property tax revenues increased \$217,806 or 8.77%, due to advances of property taxes available to support the District's general operations from Sandusky and Wood Counties totaling \$518,872, \$325,969 and \$364,719 at June 30, 2014, 2013, and 2012, respectively, which were recognized as revenue in the years in which the District could draw on these advances rather than upon the receipt of cash. The new income tax generated \$153,033 during fiscal year 2014.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,645,795 or 59.00% of total governmental expenses for fiscal year 2014, the most significant component of which is expenses for regular instruction.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

The table below shows changes in net position for governmental activities for fiscal year 2014 compared to fiscal year 2013.

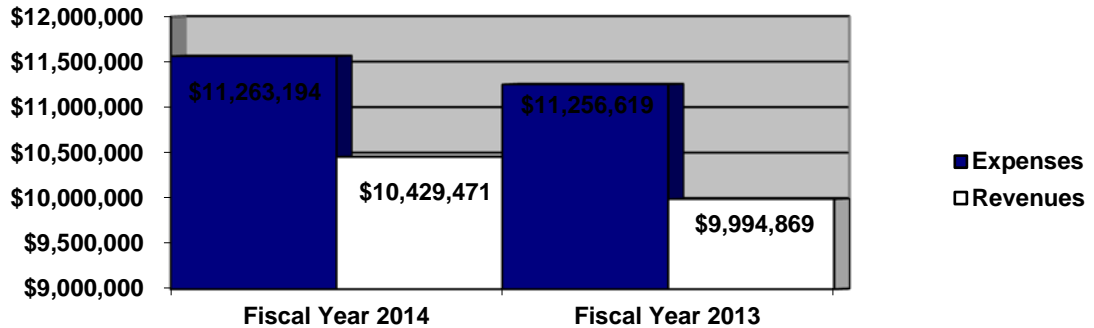
	Change in Net Position Governmental Activities	
	2014	2013
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 798,768	\$ 803,927
Operating grants and contributions	1,148,345	1,166,810
General revenues:		
Property taxes	2,701,223	2,483,417
School district income taxes	153,033	-
Grants and entitlements	5,611,936	5,525,463
Investment earnings	2,080	3,504
Other	14,086	11,748
Total revenues	<u>10,429,471</u>	<u>9,994,869</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	5,319,130	5,275,172
Special	1,098,615	928,652
Vocational	228,050	212,440
Support services:		
Pupil	401,955	404,085
Instructional staff	22,589	25,158
Board of education	43,228	48,775
Administration	909,081	963,621
Fiscal	483,386	435,425
Business	6,537	6,335
Operations and maintenance	1,191,743	1,299,672
Pupil transportation	308,554	398,275
Central	1,265	1,565
Operation of non-instructional services:		
Food service operations	568,490	591,784
Other non-instructional services	163,336	140,549
Extracurricular activities	327,919	328,411
Interest and fiscal charges	189,316	196,700
Total expenses	<u>11,263,194</u>	<u>11,256,619</u>
Change in net position	<u>(833,723)</u>	<u>(1,261,750)</u>
Net position at beginning of year	<u>17,983,698</u>	<u>19,245,448</u>
Net position at end of year	<u>\$ 17,149,975</u>	<u>\$ 17,983,698</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses:				
Instruction:				
Regular	\$ 5,319,130	\$ 5,181,202	\$ 5,275,172	\$ 4,777,956
Special	1,098,615	(68,598)	928,652	142,872
Vocational	228,050	205,992	212,440	170,624
Support services:				
Pupil	401,955	401,955	404,085	404,085
Instructional staff	22,589	22,589	25,158	25,158
Board of Education	43,228	43,228	48,775	48,775
Administration	909,081	909,081	963,621	963,621
Fiscal	483,386	483,386	435,425	435,425
Business	6,537	6,430	6,335	6,335
Operations and maintenance	1,191,743	1,191,743	1,299,672	1,287,316
Pupil transportation	308,554	288,235	398,275	398,275
Central	1,265	1,265	1,565	1,565
Operation of non-instructional services				
Food service operations	568,490	54,608	591,784	57,967
Other non-instructional services	163,336	163,336	140,549	140,549
Extracurricular activities	327,919	242,313	328,411	228,659
Interest and fiscal charges	189,316	189,316	196,700	196,700
<b>Total expenses</b>	<b>\$ 11,263,194</b>	<b>\$ 9,316,081</b>	<b>\$ 11,256,619</b>	<b>\$ 9,285,882</b>

The dependence upon tax and other general revenues for governmental activities is apparent, as 80.03% of instruction activities are supported through taxes and other general revenues. For all governmental

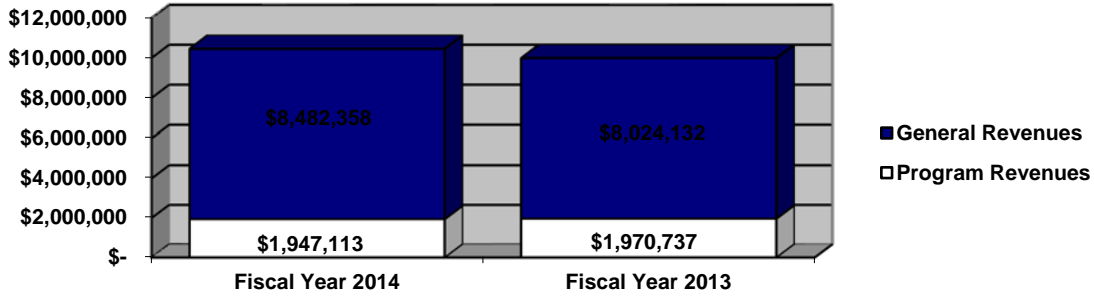
**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

activities, general revenue support is 82.71%. The District's taxpayers and unrestricted grants and entitlements, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,470,196, which is lower than last year's total of \$1,676,178. The schedule below indicates the fund balance and the total changes in fund balance as of June 30, 2014 and 2013.

	Fund Balance (Deficit) June 30, 2014	Fund Balance (Deficit) June 30, 2013	Change	Percentage Change
General fund	\$ (27,265)	\$ 274,953	\$ (302,218)	(109.92) %
Debt service fund	1,519,844	1,402,881	116,963	8.34 %
Nonmajor governmental funds	(22,383)	(1,656)	(20,727)	(1,251.63) %
<b>Total</b>	<b>\$ 1,470,196</b>	<b>\$ 1,676,178</b>	<b>\$ (205,982)</b>	<b>(12.29) %</b>

**General Fund**

During fiscal year 2014, the District's general fund revenues and expenditures increased 8.93% and 2.94%, respectively.

Property and income tax revenue of the general fund increased 17.71% from fiscal year 2013; this increase resulted from advances of property taxes available to support the District's general operations from Sandusky and Wood Counties totaling \$412,387, \$257,075, and \$286,253 at June 30, 2014, 2013, and 2012, respectively, which were recognized as revenue in the years in which the District could draw on these advances rather than upon the receipt of cash. The District also began collections on a 0.75% income tax levy in fiscal year 2014. Earnings on investments decreased \$2,802 due to lower interest earned on the District's depository accounts, non-negotiable certificates of deposit, and STAR Ohio balances during fiscal year 2014. Other revenues increased due to entering into two capital leases in the amount of \$299,392. Meanwhile, tuition and intergovernmental revenues remained consistent to fiscal year 2013.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

The following table summarizes the revenues of the general fund for the fiscal years ended June 30, 2014 and 2013.

	2014 Amount	2013 Amount	Change	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 2,302,447	\$ 1,956,094	\$ 346,353	17.71 %
Tuition	429,676	415,506	14,170	3.41 %
Earnings on investments	885	3,687	(2,802)	(76.00) %
Intergovernmental	6,005,407	5,917,599	87,808	1.48 %
Other revenues	363,254	62,613	300,641	480.16 %
Total	<u>\$ 9,101,669</u>	<u>\$ 8,355,499</u>	<u>\$ 746,170</u>	8.93 %

Expenditures increased \$268,759 during fiscal year 2014. Support services expenditures decreased 7.56% during 2014 due to reduced spending for operations and maintenance to support the District's facilities. The District entered into two capital leases during fiscal year 2014.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2014 Amount	2013 Amount	Change	Percentage Change
<b><u>Expenditures</u></b>				
Instruction	\$ 5,641,043	\$ 5,474,886	\$ 166,157	3.03 %
Support services	3,021,251	3,268,231	(246,980)	(7.56) %
Non-instructional services	140,805	140,549	256	0.18 %
Extracurricular activities	232,066	240,143	(8,077)	(3.36) %
Capital outlay	299,392	-	299,392	100.00 %
Debt service	69,330	11,319	58,011	512.51 %
Total	<u>\$ 9,403,887</u>	<u>\$ 9,135,128</u>	<u>\$ 268,759</u>	2.94 %

***Debt Service Fund***

The debt service fund had \$559,198 in revenues and \$442,235 in expenditures during fiscal year 2014. The debt service fund's fund balance increased \$116,963 from \$1,402,881 to a balance of \$1,519,844.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2014, the District amended its budget several times. For the general fund, original budgeted revenues were \$8,362,896 and final budgeted revenues were \$8,562,683. The actual budget basis revenues for fiscal year 2014 were \$8,533,251, which was \$29,432 less than the final budget.



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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(Continued)**

General fund original appropriated expenditures totaled \$9,315,571 and were increased to \$9,472,742 in the final budget. The actual budget basis expenditures for fiscal year 2014 totaled \$9,091,944 which were \$380,798 less than final budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$19,611,477 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2014 balances compared to fiscal year 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 759,542	\$ 759,542
Land improvements	1,174,028	1,303,272
Building and improvements	17,029,139	17,606,403
Furniture and equipment	634,503	475,632
Vehicles	14,265	28,643
Total	<u>\$ 19,611,477</u>	<u>\$ 20,173,492</u>

The overall decrease in capital assets of \$562,015 is primarily due to depreciation expense of \$861,407 exceeding capital asset additions of \$299,392 during fiscal year 2014.

***Debt Administration***

At June 30, 2014, the District had \$460,868 in capital appreciation bonds and accreted interest, \$2,805,000 in current interest bonds, and \$251,273 in capital lease obligations outstanding. Of this total, \$379,478 is due within one year and \$3,137,664 is due in greater than one year.

At June 30, 2014, the District had an overall legal debt margin was \$7,447,106 and an unvoted debt margin of \$99,092.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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(Continued)**

The table that follows summarizes the bonds and loans outstanding at June 30, 2014.

<b>Outstanding Debt at Year End Governmental Activities</b>		
	<u>2014</u>	<u>2013</u>
Capital appreciation bonds and accreted interest	\$ 460,868	\$ 655,792
Current interest bonds	2,805,000	2,855,000
Capital lease obligation	<u>251,274</u>	<u>10,791</u>
Total	<u>\$ 3,517,142</u>	<u>\$ 3,521,583</u>

**Current Financial Related Activities**

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

The District has a stable financial outlook. The Board of Education and administration closely monitor the District's revenues and expenditures in accordance with its financial forecast.

The District has communicated to its community that it relies upon its support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. The support of the community was measured in November 2000 when the voters approved a 6.8 mil levy for new/renovated facilities with the Ohio School Facilities Commission. The 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 mils for a continuing period of time. In May of 2009, the District proceeded with the renewal of a five year, 1.0 mil permanent improvement levy. The levy passed successfully with a 76% approval vote. The levy continues to be supported through a handful of renewal votes and a portion of the revenue is currently being used to maintain and update the District's facilities.

On November 5, 2013, voters approved a 0.75% income tax levy. This levy is important to the District's financial condition going forward and its commitment to serving its students.

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

**Contacting the District's Financial Management**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 2,026,006
Receivables:	
Property taxes . . . . .	2,760,996
Income taxes . . . . .	120,483
Accounts . . . . .	915
Accrued interest . . . . .	693
Intergovernmental . . . . .	19,681
Prepayments . . . . .	66
Materials and supplies inventory . . . . .	5,297
Capital assets:	
Nondepreciable capital assets . . . . .	759,542
Depreciable capital assets, net . . . . .	18,851,935
Capital assets, net . . . . .	19,611,477
Total assets . . . . .	24,545,614
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	129,361
 <b>Liabilities:</b>	
Accounts payable . . . . .	388
Accrued wages and benefits payable . . . . .	881,666
Pension obligation payable . . . . .	169,190
Intergovernmental payable . . . . .	25,669
Accrued interest payable . . . . .	8,495
Long-term liabilities:	
Due within one year . . . . .	484,988
Due in more than one year . . . . .	3,868,607
Total liabilities . . . . .	5,439,003
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	2,085,997
 <b>Net position:</b>	
Net investment in capital assets . . . . .	16,325,131
Restricted for:	
Capital projects . . . . .	9,662
Classroom facilities maintenance . . . . .	8,795
Debt service . . . . .	1,264,916
Student activities . . . . .	5,720
Other purposes . . . . .	53,559
Unrestricted (deficit) . . . . .	(517,808)
Total net position . . . . .	\$ 17,149,975

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, 2014**

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,319,130	\$ 52,873	\$ 85,055	\$ (5,181,202)
Special . . . . .	1,098,615	426,077	741,136	68,598
Vocational. . . . .	228,050	-	22,058	(205,992)
Support services:				
Pupil . . . . .	401,955	-	-	(401,955)
Instructional staff . . . . .	22,589	-	-	(22,589)
Board of education . . . . .	43,228	-	-	(43,228)
Administration . . . . .	909,081	-	-	(909,081)
Fiscal . . . . .	483,386	-	-	(483,386)
Business. . . . .	6,537	-	107	(6,430)
Operations and maintenance. . . . .	1,191,743	-	-	(1,191,743)
Pupil transportation . . . . .	308,554	2,002	18,317	(288,235)
Central. . . . .	1,265	-	-	(1,265)
Operation of non-instructional services:				
Food service operations . . . . .	568,490	250,330	263,552	(54,608)
Other non-instructional services. . . . .	163,336	-	-	(163,336)
Extracurricular activities . . . . .	327,919	67,486	18,120	(242,313)
Interest and fiscal charges. . . . .	189,316	-	-	(189,316)
<b>Total governmental activities. . . . .</b>	<b>\$ 11,263,194</b>	<b>\$ 798,768</b>	<b>\$ 1,148,345</b>	<b>(9,316,081)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				2,144,260
Classroom facilities maintenance . . . . .				35,394
Debt service . . . . .				477,326
Capital projects . . . . .				44,243
Income taxes levied for:				
General purposes . . . . .				153,033
Grants and entitlements not restricted to specific programs . . . . .				5,611,936
Investment earnings. . . . .				2,080
Miscellaneous. . . . .				14,086
<b>Total general revenues . . . . .</b>				<b>8,482,358</b>
Change in net position . . . . .				(833,723)
<b>Net position at beginning of year . . . . .</b>				<b>17,983,698</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 17,149,975</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 500,419	\$ 1,429,971	\$ 43,492	\$ 1,973,882
Receivables:				
Property taxes . . . . .	2,195,073	485,424	80,499	2,760,996
Income taxes . . . . .	120,483	-	-	120,483
Accounts . . . . .	915	-	-	915
Accrued interest . . . . .	55	638	-	693
Intergovernmental . . . . .	19,681	-	-	19,681
Prepayments . . . . .	66	-	-	66
Materials and supplies inventory . . . . .	-	-	5,297	5,297
Restricted assets:				
Equity in pooled cash and investments . . . . .	52,124	-	-	52,124
<b>Total assets . . . . .</b>	<b>\$ 2,888,816</b>	<b>\$ 1,916,033</b>	<b>\$ 129,288</b>	<b>\$ 4,934,137</b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 274	\$ -	\$ 114	\$ 388
Accrued wages and benefits payable . . . . .	811,900	-	69,766	881,666
Compensated absences payable . . . . .	84,727	-	-	84,727
Intergovernmental payable . . . . .	24,502	-	1,167	25,669
Pension obligation payable . . . . .	154,162	-	15,028	169,190
<b>Total liabilities . . . . .</b>	<b>1,075,565</b>	<b>-</b>	<b>86,075</b>	<b>1,161,640</b>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	1,658,429	366,749	60,819	2,085,997
Delinquent property tax revenue not available . . . . .	130,242	28,802	4,777	163,821
Accrued interest not available . . . . .	-	638	-	638
Miscellaneous revenue not available . . . . .	19,681	-	-	19,681
Income tax revenue not available . . . . .	32,164	-	-	32,164
<b>Total deferred inflows of resources . . . . .</b>	<b>1,840,516</b>	<b>396,189</b>	<b>65,596</b>	<b>2,302,301</b>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	-	-	5,297	5,297
Prepayments . . . . .	66	-	-	66
Restricted:				
Debt service . . . . .	-	1,519,844	-	1,519,844
Capital improvements . . . . .	-	-	7,009	7,009
Classroom facilities maintenance . . . . .	-	-	6,671	6,671
Extracurricular activities . . . . .	-	-	5,720	5,720
School bus purchase . . . . .	52,124	-	-	52,124
Other purposes . . . . .	-	-	1,435	1,435
Committed:				
Capital improvements . . . . .	-	-	8,277	8,277
Unassigned (deficit) . . . . .	(79,455)	-	(56,792)	(136,247)
<b>Total fund balances (deficit) . . . . .</b>	<b>(27,265)</b>	<b>1,519,844</b>	<b>(22,383)</b>	<b>1,470,196</b>
<b>Total liabilities, deferred inflows of resources, and fund balances . . . . .</b>	<b>\$ 2,888,816</b>	<b>\$ 1,916,033</b>	<b>\$ 129,288</b>	<b>\$ 4,934,137</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014**

<b>Total governmental fund balances</b>		\$	1,470,196
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			19,611,477
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	163,821	
Income taxes receivable		32,164	
Accrued interest receivable		638	
Intergovernmental receivable		19,681	
Total		216,304	216,304
Unamortized premiums on bonds issued are not recognized in the funds.			(174,438)
Unamortized deferred amounts on refundings are not recognized in the funds.			129,361
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(8,495)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(251,274)	
General obligation bonds		(3,265,868)	
Compensated absences		(577,288)	
Total		(4,094,430)	(4,094,430)
<b>Net position of governmental activities</b>		\$	17,149,975

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, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,181,608	\$ 487,146	\$ 81,080	\$ 2,749,834
Income taxes . . . . .	120,869	-	-	120,869
Tuition . . . . .	429,676	-	-	429,676
Earnings on investments . . . . .	885	1,052	3	1,940
Charges for services . . . . .	-	-	252,332	252,332
Extracurricular . . . . .	6,447	-	67,486	73,933
Classroom materials and fees . . . . .	49,274	-	-	49,274
Rental income . . . . .	90	-	-	90
Contributions and donations . . . . .	472	-	17,647	18,119
Other local revenues . . . . .	7,549	-	-	7,549
Intergovernmental - state . . . . .	6,005,407	71,000	68,412	6,144,819
Intergovernmental - federal . . . . .	-	-	597,342	597,342
Total revenues . . . . .	<u>8,802,277</u>	<u>559,198</u>	<u>1,084,302</u>	<u>10,445,777</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,756,849	-	39,674	4,796,523
Special . . . . .	683,112	-	371,538	1,054,650
Vocational . . . . .	201,082	-	-	201,082
Support services:				
Pupil . . . . .	400,662	-	-	400,662
Instructional staff . . . . .	9,990	-	-	9,990
Board of education . . . . .	43,228	-	-	43,228
Administration . . . . .	876,382	-	-	876,382
Fiscal . . . . .	465,234	12,971	1,849	480,054
Business . . . . .	6,537	-	-	6,537
Operations and maintenance . . . . .	919,526	-	94,248	1,013,774
Pupil transportation . . . . .	298,427	-	-	298,427
Central . . . . .	1,265	-	-	1,265
Operation of non-instructional services:				
Food service operations . . . . .	-	-	514,119	514,119
Other non-instructional services . . . . .	140,805	-	-	140,805
Extracurricular activities . . . . .	232,066	-	83,601	315,667
Capital outlay . . . . .	299,392	-	-	299,392
Debt service:				
Principal retirement . . . . .	58,909	315,000	-	373,909
Interest and fiscal charges . . . . .	10,421	114,264	-	124,685
Total expenditures . . . . .	<u>9,403,887</u>	<u>442,235</u>	<u>1,105,029</u>	<u>10,951,151</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(601,610)</u>	<u>116,963</u>	<u>(20,727)</u>	<u>(505,374)</u>
<b>Other financing sources:</b>				
Capital lease transaction . . . . .	299,392	-	-	299,392
Net change in fund balances . . . . .	(302,218)	116,963	(20,727)	(205,982)
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<u>274,953</u>	<u>1,402,881</u>	<u>(1,656)</u>	<u>1,676,178</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (27,265)</u>	<u>\$ 1,519,844</u>	<u>\$ (22,383)</u>	<u>\$ 1,470,196</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, 2014**

<b>Net change in fund balances - total governmental funds</b>	\$	(205,982)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 299,392	
Current year depreciation	(861,407)	
Total		(562,015)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(48,611)	
Income taxes	32,164	
Earnings on investments	141	
Miscellaneous	10,600	
Total		(5,706)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Principal on general obligation bonds	315,000	
Principal on capital lease obligations	58,909	
Total		373,909
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
Capital leases	(299,392)	
Total		(299,392)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	658	
Accretion of interest on capital appreciation bonds	(70,076)	
Amortization of bond premiums	18,525	
Amortization of deferred charges	(13,738)	
Total		(64,631)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(69,906)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(833,723)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,984,862	\$ 2,032,280	\$ 2,032,281	\$ 1
Income taxes . . . . .	31,791	32,550	32,550	-
Tuition . . . . .	419,850	429,880	429,880	-
Earnings on investments . . . . .	29,818	30,530	830	(29,700)
Rental income . . . . .	88	90	90	-
Other local revenues . . . . .	3,653	3,740	4,007	267
Intergovernmental - state . . . . .	5,865,286	6,005,407	6,005,407	-
Total revenues . . . . .	<u>8,335,348</u>	<u>8,534,477</u>	<u>8,505,045</u>	<u>(29,432)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,977,817	4,863,847	4,656,819	207,028
Special . . . . .	718,346	701,899	665,244	36,655
Vocational . . . . .	214,582	209,669	203,207	6,462
Support services:				
Pupil . . . . .	443,312	433,162	411,763	21,399
Instructional staff . . . . .	10,224	9,990	9,990	-
Board of education . . . . .	44,452	43,434	43,434	-
Administration . . . . .	939,396	917,888	866,579	51,309
Fiscal . . . . .	480,031	469,040	465,504	3,536
Business . . . . .	6,690	6,537	6,537	-
Operations and maintenance . . . . .	906,462	1,102,418	1,063,229	39,189
Pupil transportation . . . . .	353,874	345,772	336,669	9,103
Central . . . . .	1,295	1,265	1,265	-
Other operation of non-instructional services . . . . .	148,794	145,387	139,300	6,087
Extracurricular activities . . . . .	70,296	222,434	222,404	30
Total expenditures . . . . .	<u>9,315,571</u>	<u>9,472,742</u>	<u>9,091,944</u>	<u>380,798</u>
Excess of expenditures over revenues . . . . .	<u>(980,223)</u>	<u>(938,265)</u>	<u>(586,899)</u>	<u>351,366</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	15,828	16,206	16,206	-
Sale of capital assets . . . . .	11,720	12,000	12,000	-
Total other financing sources . . . . .	<u>27,548</u>	<u>28,206</u>	<u>28,206</u>	<u>-</u>
Net change in fund balance . . . . .	(952,675)	(910,059)	(558,693)	351,366
<b>Fund balance at beginning of year . . . . .</b>	1,022,275	1,022,275	1,022,275	-
<b>Prior year encumbrances appropriated . . . . .</b>	38,386	38,386	38,386	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 107,986</u>	<u>\$ 150,602</u>	<u>\$ 501,968</u>	<u>\$ 351,366</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 52,331	\$ 52,570
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 52,570
<b>Net position:</b>		
Held in trust for scholarships. . . . .	\$ 52,331	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 6
Gifts and contributions . . . . .	2,036
Total additions . . . . .	2,042
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,200
Change in net position . . . . .	(2,158)
<b>Net position at beginning of year . . . . .</b>	<b>54,489</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 52,331</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

The District currently operates one elementary school and one comprehensive middle and high school. The District employs 9 administrators, 2 supervisors, 40 non-certified, and 75 certified full-time and part-time employees to provide services to approximately 1,029 students in grades K through 12 and various community groups.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District'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*" and GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

*JOINTLY GOVERNED ORGANIZATIONS*

Bay Area Council of Governments (the "BACG")

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 1210 E. Bogart Road, Sandusky, Ohio 44870. The District paid \$53,832 to BACG during fiscal year 2014.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative ("the Cooperative") is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty day notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 1210 E. Bogart Road, Sandusky, Ohio 44870. The District paid \$13,068 to North Point Purchasing Cooperative during fiscal year 2014.

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors is the Governing Board of NOECA and is composed of two superintendents for each of the counties of Erie, Huron, Ottawa, Sandusky, Seneca, and Wood, one superintendent from Crawford County, and the fiscal agent superintendent. Financial information can be obtained by contacting Matt Bauer, who serves as controller, at 1210 E.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

Bogart Road, Sandusky, Ohio 44870. The District paid \$21,930 to NOECA for various services during fiscal year 2014.

Vanguard-Sentinel Career and Technology Centers (the "Career Center")

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

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Program

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

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

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

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

Ohio School Plan

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

**B. Fund Accounting**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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 position and changes in net position. 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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 it does not report operations.

**D. Basis of Accounting**

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income 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.

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, tuition, student fees, and reimbursements.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

On an accrual basis of accounting, unamortized deferred charges on debt refunding (the difference between the reacquisition price and the carrying amount of the refunded obligation) is reported as a deferred outflow of resources.

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 corresponding amount reported as intergovernmental revenue.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination. The Sandusky County Commissioners waived this requirement for fiscal year 2014.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of budgetary control.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposit. Except for nonparticipating investment contracts, such as non-negotiable certificates of deposit, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2014, 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 at which the investment could be sold on June 30, 2014.

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 2014 amounted to \$885, which includes \$214 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. On the fund financial statements, materials and supplies is equally offset by a nonspendable fund balance in governmental funds which indicates that it does not constitute available resources even though it is a component of net current assets.

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

**H. Capital Assets**

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

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

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

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

**I. Interfund 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.

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

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees 50 years of age or older with at least eight years of experience or any employee with 20 years of experience or more were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**L. Fund Balance**

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

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

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

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

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

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

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

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

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for school bus purchases and the resources of the library memorial fund (a nonmajor governmental fund).

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to restrict these assets for bus purchases. These restricted assets are required by State statute. A schedule of set-asides is presented in Note 16.

**Q. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2014, the balance in the budget stabilization reserve was \$29,274. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.



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

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

**R. Bond Issuance Costs, Unamortized Bond Premiums and Discounts, Accounting Gain or Loss**

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 10.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the refunded debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining term of the old debt or the term of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

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

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major</u>	<u>Deficit</u>
General	\$ 27,265
 <u>Nonmajor governmental funds</u>	
Food service	13,423
IDEA Part-B	14,086
Title I	13,528
Improving teacher quality	10,458

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.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

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

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$1,747 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$1,631,534. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2014, \$1,111,444 of the District's bank balance of \$1,764,507 was exposed to custodial risk as discussed below, while \$653,063 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2014, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturity 6 months or less
STAR Ohio	\$ 497,626	\$ 497,626

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

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

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

*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, 2014:

Investment type	Fair Value	% of Total
STAR Ohio	<u>\$ 497,626</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2014:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 1,631,534
Investments	497,626
Cash on hand	<u>1,747</u>
Total	<u>\$ 2,130,907</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 2,026,006
Private-purpose trust fund	52,331
Agency funds	<u>52,570</u>
Total	<u>\$ 2,130,907</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 5 - PROPERTY TAXES – (Continued)**

value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Sandusky and Wood Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$406,402 in the general fund, \$89,873 in the debt service fund, \$8,277 in the permanent improvement fund (a nonmajor governmental fund), and \$6,626 in the classroom facilities and maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$257,075 in the general fund, \$59,349 in the debt service fund and \$5,292 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 93,536,480	94.95	\$ 93,729,710	94.59
Public utility personal	<u>4,973,080</u>	<u>5.05</u>	<u>5,362,300</u>	<u>5.41</u>
Total	<u>\$ 98,509,560</u>	<u>100.00</u>	<u>\$ 99,092,010</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$51.90		\$51.90	

**NOTE 6 - SCHOOL DISTRICT INCOME TAX**

The school district income tax (SDIT) is an income tax separate from federal, State, and city income taxes which is earmarked specifically to support school districts. Residents pay the tax through employer withholding, individual quarterly estimates, and annual returns which are remitted to the Ohio Department of Taxation.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 6 - SCHOOL DISTRICT INCOME TAX – (Continued)**

Payments are made to the District through the Ohio Department of Taxation. The available money is distributed to the District on a quarterly basis with a summary report for March, June, September, and December. These quarterly reports contain the total gross collections, less refunds and 1.75% for administrative fees, and also includes interest earned. The total available is usually sent to the District within a month of the end of the quarter.

The 0.75% SDIT was passed in November 2013, and collections began January 1, 2014. SDIT revenue received by the general fund during fiscal year 2014 was \$120,869.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental refunds and reimbursements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the stable condition of State programs. A summary of the principal items of receivables reported on the statement of net position follows:

<b>Governmental activities:</b>	
Property taxes	\$ 2,760,996
Income taxes	120,483
Accounts	915
Accrued interest	693
Intergovernmental	<u>19,681</u>
Total	<u>\$ 2,902,768</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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 759,542	\$ -	\$ -	\$ 759,542
Total capital assets, not being depreciated	759,542	-	-	759,542
<i>Capital assets, being depreciated:</i>				
Land improvements	2,643,848	-	-	2,643,848
Buildings and improvements	23,925,195	-	-	23,925,195
Furniture and equipment	2,095,783	299,392	(62,627)	2,332,548
Vehicles	692,122	-	(51,571)	640,551
Total capital assets, being depreciated	29,356,948	299,392	(114,198)	29,542,142
<i>Less: accumulated depreciation</i>				
Land improvements	(1,340,576)	(129,244)	-	(1,469,820)
Buildings and improvements	(6,318,792)	(577,264)	-	(6,896,056)
Furniture and equipment	(1,620,151)	(140,521)	62,627	(1,698,045)
Vehicles	(663,479)	(14,378)	51,571	(626,286)
Total accumulated depreciation	(9,942,998)	(861,407)	114,198	(10,690,207)
Governmental activities capital assets, net	\$ 20,173,492	\$ (562,015)	\$ -	\$ 19,611,477

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 506,220
Special	24,953
Vocational	16,531
<u>Support services:</u>	
Instructional staff	12,599
Administration	37,365
Operations and maintenance	182,820
Pupil transportation	15,491
Food service operations	53,176
Extracurricular activities	12,252
Total depreciation expense	\$ 861,407



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During fiscal year 2014, the District entered into two capitalized lease agreements for the acquisition of copier equipment and network switches.

These leases meet the criteria to be reported as a capital lease. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements and as a reduction of the lease liability on the government-wide financial statements. These expenditures are reflected as function expenditures on a budgetary basis.

Capital assets acquired through the lease agreement have been capitalized in the statement of net position in the amount of \$299,392 which is equal to the present value of the future minimum lease payments as of the date of inception. Accumulated depreciation as of June 30, 2014 was \$29,940, leaving a current book value of \$269,452. Principal payments during fiscal year 2014 totaled \$58,909; this amount is reflected as principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 67,553
2016	67,553
2017	67,553
2018	<u>67,550</u>
Total minimum lease payments	270,209
Less amount representing interest	<u>(18,935)</u>
Total	<u>\$ 251,274</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding 6/30/2013	Additions	Reductions	Balance Outstanding 6/30/2014	Amounts Due in One Year
<b>Governmental activities:</b>					
General obligation bonds - Series 2001					
Capital appreciation	\$ 92,923	\$ -	\$ (92,923)	\$ -	\$ -
Accreted interest	161,167	10,910	(172,077)	-	-
Refunding bonds - Series 2007					
Current interest	2,855,000	-	(50,000)	2,805,000	320,000
Capital appreciation	184,995	-	-	184,995	-
Accreted interest	216,707	59,166	-	275,873	-
Total general obligation bonds	<u>3,510,792</u>	<u>70,076</u>	<u>(315,000)</u>	<u>3,265,868</u>	<u>320,000</u>
Compensated absences	556,030	118,830	(12,845)	662,015	105,510
Capital lease obligation	10,791	299,392	(58,909)	251,274	59,478
Total	<u>\$ 4,077,613</u>	<u>\$ 488,298</u>	<u>\$ (386,754)</u>	4,179,157	<u>\$ 484,988</u>
Add: Unamortized premium on refunding				174,438	
Total reported on the statement of net position				<u>\$ 4,353,595</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).

Capital lease - Capital lease payments are made from the general fund. See Note 9 for detail on capital lease obligations outstanding at June 30, 2014.

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 were recorded as expenditures of the debt service fund. The source of payment is derived from a current 7.00 (average) mil bonded debt tax levy.

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

This original issue was 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 remaining balance of capital appreciation bonds matured December 1, 2013, (effective interest rate 5.0%) at a redemption price equal to 100% of the principal. The accreted value at maturity for the outstanding capital appreciation bonds was \$265,000. There were no further obligations outstanding at June 30, 2014 for this issuance.

*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 position. The balance of the current interest refunding bonds at June 30, 2014, is \$2,805,000.

The original refunding issue was 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 4.05% and 4.13%) 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 \$275,873 has been included in the statement of net position at June 30, 2014.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$218,656. This amount is amortized as a deferred outflow of resources over the remaining term of the refunded debt, which is equal to the term of the new debt issued.

**B.** Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2007			Capital Appreciation Bonds - Series 2007		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 320,000	\$ 106,926	\$ 426,926			
2016	335,000	93,826	428,826			
2017	-	87,126	87,126	\$ 96,852	\$ 243,148	\$ 340,000
2018	-	87,126	87,126	88,143	266,857	355,000
2019	340,000	80,326	420,326	-	-	-
2020 - 2024	1,810,000	179,788	1,989,788	-	-	-
<b>Total</b>	<b>\$ 2,805,000</b>	<b>\$ 635,118</b>	<b>\$ 3,440,118</b>	<b>\$ 184,995</b>	<b>\$ 510,005</b>	<b>\$ 695,000</b>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**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, 2014, are a voted debt margin of \$7,448,130 (including available funds of \$1,519,844) and an unvoted debt margin of \$99,092.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2014, the District purchased insurance coverage through the Ohio School Plan (see below).

**B. Ohio School Plan**

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

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

The Ohio School Plan's audited financial statements reported the following assets, liabilities, and members' equity at December 31, 2013, 2012 and 2011 (the latest information available):

	2013	2012	2011
Assets	\$ 6,841,599	\$ 5,351,369	\$ 4,280,876
Liabilities	4,052,930	2,734,952	1,812,420
Members' Equity	2,788,669	2,616,417	2,468,456

The complete, audited financial statements for The Ohio School Plan are available at its website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org) under "*Financials*". Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**C. Group Health Insurance**

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

**D. Workers' Compensation Plan**

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

**E. Pension and Post-Employment Benefits**

Employee pension and post-employment health care benefits are provided to plan participants or their beneficiaries through the respective retirement systems discussed in Notes 12 and 13. As such, no direct funding provisions are required by the District.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the District Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$136,673, \$136,386 and \$137,525, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$620,062, \$628,200 and \$633,173, respectively; 83.28 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$6,776 made by the District and \$5,324 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 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. District Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the District Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$19,299, \$18,279 and \$28,355, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,929, \$7,704 and \$8,122, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

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



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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

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 2014, 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, 2014, 2013 and 2012 were \$47,697, \$48,323 and \$48,706, respectively; 83.28 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis), and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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	\$ (558,693)
Net adjustment for revenue accruals	237,497
Net adjustment for expenditure accruals	(300,003)
Net adjustment for other sources/uses	271,186
Funds budgeted elsewhere	(1,660)
Adjustment for encumbrances	<u>49,455</u>
GAAP basis	<u>\$ (302,218)</u>

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

**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.

**NOTE 16 - SET-ASIDES**

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**NOTE 16 - SET-ASIDES – (Continued)**

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	174,656
Current year qualifying expenditures	(668,597)
Current year offsets	(86,582)
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (580,523)</u>
Balance carried forward to fiscal year 2015	<u><u>\$ -</u></u>

Although the District had offsets and qualifying disbursements during the year that reduced the capital improvements set-aside amount to below zero, the excess of current year offsets and qualifying disbursements over the set-aside requirement may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

During fiscal year 2001, the District issued \$5,780,399 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,521,516 at June 30, 2014.

In addition to the set-asides for capital improvements, the District has a general fund balance of \$52,124 restricted for school bus purchases by the State of Ohio. This amount is displayed as restricted fund balance and restricted net position. A corresponding amount is also recorded as restricted cash of the general fund.

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 50,068
Nonmajor governmental	<u>12,486</u>
Total	<u><u>\$ 62,554</u></u>

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National School Lunch Program			
Cash Assistance	10.555	\$ 165,321	\$ 165,321
Non-Cash Assistance (Food Distribution)	10.555	62,406	62,406
Total National School Lunch Program		<u>227,727</u>	<u>227,727</u>
School Breakfast Program	10.553	<u>34,147</u>	<u>34,147</u>
Total U.S. Department of Agriculture - Nutrition Cluster		<u>261,874</u>	<u>261,874</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education Grants to States	84.027	199,488	199,488
Special Education Preschool Grants	84.173	3,674	3,674
Total Special Education Cluster		<u>203,162</u>	<u>203,162</u>
Title I Grants to Local Educational Agencies	84.010	99,290	99,290
Improving Teacher Quality State Grants	84.367	<u>45,381</u>	<u>45,381</u>
Total U.S. Department of Education		<u>347,833</u>	<u>347,833</u>
<b>Total Federal Award Receipts and Expenditures</b>		<u><u>\$ 609,707</u></u>	<u><u>\$ 609,707</u></u>

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gibsonburg Exempted Village School District, Sandusky County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***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, opining 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*.

***Entity's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2015





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Gibsonburg Exempted Village School District, Sandusky County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Gibsonburg Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

**Report on Internal Control over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2015

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

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

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

**FINDING NUMBER 2014-001**

**Material Weakness**

**Bank Reconciliations**

Bank reconciliations should be performed monthly and reviewed and approved by someone other than the preparer. Reconciliations were performed each month and approved by the Board, but we noted the following errors at June 30, 2014:

	<b>Original Reconciliation</b>	<b>Corrected Reconciliation</b>	<b>Variance</b>
Outstanding checks	\$ (129,859.59)	\$ (132,753.69)	\$ (2,894.10)
Other investments	783,495.28	754,744.57	(28,750.71)
NSF checks	(1,075.13)	164.25	1,239.38
Treasurer fees	(1,792.30)	-	1,792.30
Athletic transfer	(882.26)	-	882.26
Transfer fund to fund	(303,469.86)	-	303,469.86
Bank fees not posted	-	55.21	55.21
Bank interest not posted	-	(1,024.44)	(1,024.44)
Interest not earned posted	-	29,777.65	29,777.65
Memo checks not posted	-	1,607.00	1,607.00
Deposits not posted	-	(1,145.33)	(1,145.33)
Expenditures posted twice	-	(374,872.70)	(374,872.70)
Various Posting Errors	-	(900.76)	(900.76)
Corrections with no supporting documentation	-	70,764.38	70,764.38
	<b>\$ 346,416.14</b>	<b>\$ 346,416.14</b>	<b>\$ -</b>

Failure to complete accurate bank reconciliations resulted in the following audit adjustments:

- Interest revenue in the general fund and governmental activities were decreased \$29,778.
- Expenditures of the general fund and governmental activities were decreased by \$286,333
- Interest revenue of the bond retirement fund and governmental activities were increased by \$1,024.
- Expenditures of other governmental funds and governmental activities were reduced by \$17,776.

We recommend the District prepare accurate reconciliations and include supporting documentation for the reconciling items to ensure the reviewer has an accurate understanding of those items.

**Officials' Response:**

The Board of Education maintains a difference of opinion on interpretation of several of the individual items shown in the reconciliation. The net result of the reconciliation as presented is however acceptable.

**Auditor of State Conclusion:**

We relied on the work of the IPA correcting the District's reconciliations which required several adjustments to the financial statements due to errors included in the District's reconciliation.

**3. FINDINGS FOR FEDERAL AWARDS**

**None**

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# Dave Yost • Auditor of State

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 2, 2015**