

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

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006***

**JENNY MONEGHAN, INTERIM TREASURER**





Mary Taylor, CPA  
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**Auditor of State  
Betty Montgomery**

Board of Education  
Gibsonburg Exempted Village School District  
301 South Sunset Avenue  
Gibsonburg, Ohio 43431

We have reviewed the *Independent Auditor's Report* of the Gibsonburg Exempted Village School District, Sandusky County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Gibsonburg Exempted Village School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 3, 2007

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT**  
**SANDUSKY COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education  
Gibsonburg Exempted Village School District  
301 South Sunset Avenue  
Gibsonburg, Ohio 43431-1256

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, (the "District") as of and for the fiscal year ended June 30, 2006 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibsonburg Exempted Village School District, Sandusky County, as of June 30, 2006 and the respective changes in financial position and the respective budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Independent Auditor's Report  
Gibsonburg Exempted Village School District  
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
October 27, 2006, except for Note 17 which is dated November 6, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities decreased \$1,032,254 which represents a 4.06% decrease from 2005.
- General revenues accounted for \$8,332,866 in revenue or 86.23% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,330,587 or 13.77% of total revenues of \$9,663,453.
- The District had \$10,695,707 in expenses related to governmental activities; \$1,330,587 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,332,866 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$7,651,971 in revenues and \$8,074,742 in expenditures. The general fund's fund balance decreased \$422,771 from a balance of \$3,424,641 to \$3,001,870.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$597,621 in revenues and \$524,262 in expenditures. The debt service fund's fund balance increased \$73,359 from \$721,354 to \$794,713.

**Using these Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***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. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. 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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

*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. These notes to the basic financial statements can be found on pages 22-48 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for fiscal years 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities 2006	Governmental Activities 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 8,219,076	\$ 8,360,731
Capital assets, net	<u>25,227,638</u>	<u>25,991,102</u>
Total assets	<u>33,446,714</u>	<u>34,351,833</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,136,360	2,841,787
Long-term liabilities	<u>5,947,086</u>	<u>6,114,524</u>
Total liabilities	<u>9,083,446</u>	<u>8,956,311</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	19,851,642	20,353,106
Restricted	1,971,016	2,104,188
Unrestricted	<u>2,540,610</u>	<u>2,938,228</u>
Total net assets	<u>\$ 24,363,268</u>	<u>\$ 25,395,522</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$24,363,268. Of this total, \$2,540,610 is unrestricted in use.

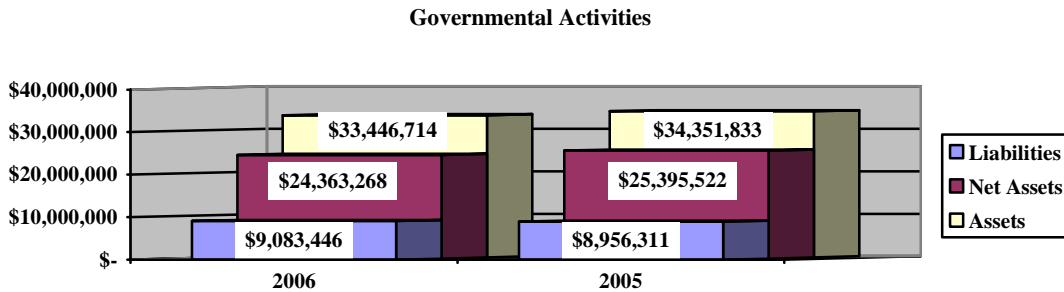
**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

At year-end, capital assets represented 75.43% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$19,851,642. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,971,016, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,540,610 may be used to meet the District's ongoing obligations to the students and creditors.

The table below provides a summary of the District's net assets for 2006 and 2005:



The table below shows the change in net assets for fiscal year 2006 and 2005.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 443,230	\$ 427,190
Operating grants and contributions	866,761	760,993
Capital grants and contributions	20,596	75,180
General revenues:		
Property taxes	2,354,552	2,596,668
Grants and entitlements	5,714,476	5,591,697
Investment earnings	234,064	131,437
Other	29,774	17,231
Total revenues	<u>9,663,453</u>	<u>9,600,396</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,036,028	\$ 4,605,085
Special	740,471	811,003
Vocational	169,577	143,985
Other	20,974	29,934
Support services:		
Pupil	406,175	341,304
Instructional staff	251,835	232,276
Board of education	88,980	69,965
Administration	983,771	906,646
Fiscal	221,744	213,493
Business	6,173	6,084
Operations and maintenance	1,155,135	1,059,939
Pupil transportation	397,480	372,118
Central	20,795	3,538
Operations of non-instructional services	106,990	79,390
Food service operations	516,288	483,469
Extracurricular activities	299,010	289,716
Interest and fiscal charges	<u>274,281</u>	<u>262,622</u>
Total expenses	<u>10,695,707</u>	<u>9,910,567</u>
Special Items	<u>-</u>	<u>157,552</u>
Change in net assets	<u>(1,032,254)</u>	<u>(152,619)</u>
Beginning Balance	<u>25,395,522</u>	<u>25,548,141</u>
Ending Balance	<u>\$ 24,363,268</u>	<u>\$ 25,395,522</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,032,254. Total governmental expenses of \$10,695,707 were offset by program revenues of \$1,330,587 and general revenues of \$8,332,866. Program revenues supported 12.44% of the total governmental expenses.

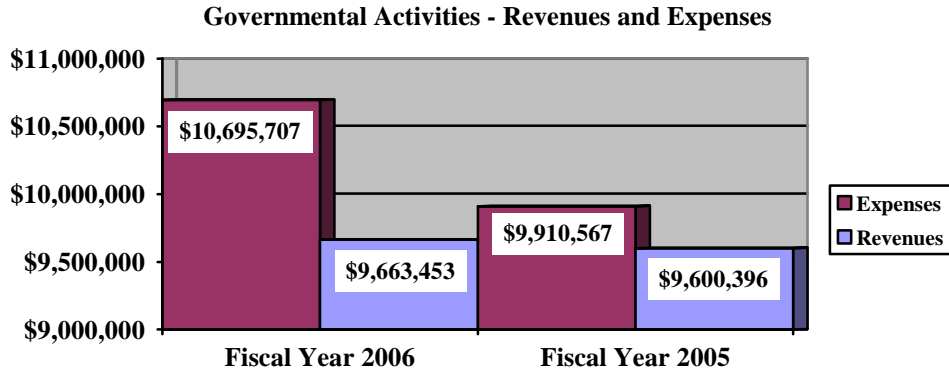
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.50% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,967,050 or 55.79% of total governmental expenses for fiscal 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.



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**

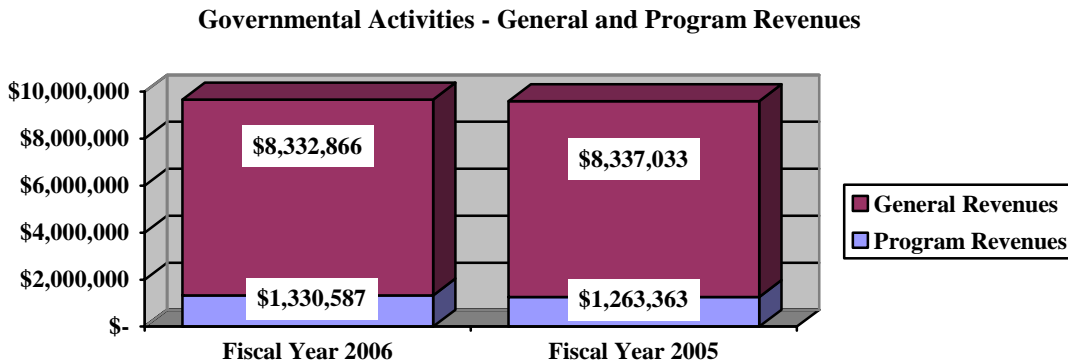
	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses:				
Instruction:				
Regular	\$ 5,036,028	\$ 4,876,848	\$ 4,605,085	\$ 4,428,924
Special	740,471	265,072	811,003	577,020
Vocational	169,577	169,577	143,985	141,285
Other	20,974	(3,292)	29,934	29,934
Support services:				
Pupil	406,175	349,972	341,304	201,564
Instructional staff	251,835	227,202	232,276	218,355
Board of Education	88,980	88,980	69,965	69,965
Administration	983,771	979,469	906,646	819,083
Fiscal	221,744	217,695	213,493	211,640
Business	6,173	6,173	6,084	6,084
Operations and maintenance	1,155,135	1,141,671	1,059,939	969,464
Pupil transportation	397,480	373,595	372,118	371,734
Central	20,795	17,595	3,538	613
Operation of non-instructional services	106,990	92,314	79,390	71,265
Food service operations	516,288	115,676	483,469	96,174
Extracurricular activities	299,010	172,292	289,716	171,478
Interest and fiscal charges	274,281	274,281	262,622	262,622
<b>Total expenses</b>	<b>\$ 10,695,707</b>	<b>\$ 9,365,120</b>	<b>\$ 9,910,567</b>	<b>\$ 8,647,204</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The dependence upon tax and other general revenues for governmental activities is apparent, 88.96% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.56%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,932,807, which is lower than last year's total of \$5,402,272. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Increase (Decrease)	Percentage Change
General	\$ 3,001,870	\$ 3,424,641	\$ (422,771)	(12.34) %
Debt Service	794,713	721,354	73,359	10.17 %
Other Governmental	<u>1,136,224</u>	<u>1,256,277</u>	<u>(120,053)</u>	(9.56) %
Total	<u>\$ 4,932,807</u>	<u>\$ 5,402,272</u>	<u>\$ (469,465)</u>	(8.69) %

**General Fund**

The District's general fund's fund balance decreased \$422,771. The decrease in fund balance can be attributed to expenditures increasing faster than revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 1,757,979	\$ 1,916,853	\$ (158,874)	(8.29) %
Tuition	41,274	39,149	2,125	5.43 %
Earnings on investments	168,826	90,569	78,257	86.41 %
Intergovernmental	5,655,580	5,528,112	127,468	2.31 %
Other revenues	<u>28,312</u>	<u>16,835</u>	<u>11,477</u>	68.17 %
 Total	 <u>\$ 7,651,971</u>	 <u>\$ 7,591,518</u>	 <u>\$ 60,453</u>	 0.80 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,675,895	\$ 4,536,880	\$ 139,015	3.06 %
Support services	3,134,032	2,734,264	399,768	14.62 %
Non-instructional services	94,739	67,912	26,827	39.50 %
Extracurricular activities	<u>170,076</u>	<u>165,393</u>	<u>4,683</u>	2.83 %
 Total	 <u>\$ 8,074,742</u>	 <u>\$ 7,504,449</u>	 <u>\$ 570,293</u>	 7.60 %

***Debt Service Fund***

The debt service fund had \$597,621 in revenues and \$524,262 in expenditures. The debt service fund's fund balance increased from \$721,354 to \$794,713.

***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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,847,175 and final budgeted revenues and other financing sources were \$7,891,331. Actual revenues and other financing sources for fiscal 2006 were \$8,185,646. This represents a \$338,471 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$9,940,693 and final appropriations were \$9,886,524. The actual budget basis expenditures for fiscal year 2006 totaled \$8,749,657, which was \$1,136,867 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2006, the District had \$25,227,638 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles and construction in progress (net of depreciation). See Note 8 to the basic financial statements for additional information. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 759,542	\$ 759,542
Land improvements	2,036,740	2,163,428
Building and improvements	20,951,163	21,533,150
Furniture and equipment	1,157,835	1,334,061
Vehicles	272,732	200,921
Construction in progress	49,626	-
Total	\$ 25,227,638	\$ 25,991,102

The overall decrease in capital assets of \$763,464 is due to depreciation expense of \$978,587 and disposals of \$5,552 (net of accumulated depreciation) being greater than capital assets additions of \$220,675 during 2006.

*Debt Administration*

At June 30, 2006, the District had \$294,477 in capital appreciation bonds, \$4,725,000 in current interest bonds and \$457,000 in a lease purchase agreement outstanding. Of this total, \$275,000 is due within one year and \$5,201,477 is due in greater than one year. See Note 10 to the basic financial statements for additional information. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2006	2005
Capital appreciation bonds	\$ 294,477	\$ 270,729
Current interest bonds	4,725,000	4,925,000
Lease purchase agreement	457,000	519,000
Total	\$ 5,476,477	\$ 5,714,729

At June 30, 2006, the District's overall legal debt margin was \$3,024,148, and an unvoted debt margin of \$79,427.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

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

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

The District has communicated to its community they rely upon their support for the major part of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. The support of the community was last measured in November 2000 when the voters approved a 6.8 mill levy for new/renovated facilities with the Ohio School Facilities Commission. The District built a new 114,000 square foot middle/high school and completely renovated and doubled the size of the elementary school. Prior to that, the last operating levy was passed in November 1994 for 7.5 mills for a continuing period of time.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information you can contact the treasurer at Gibsonburg Exempted Village School District, 300 S. Harrison Street, Gibsonburg, Ohio 43431.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 5,480,501
Receivables:	
Taxes . . . . .	2,595,120
Accounts . . . . .	1,746
Intergovernmental . . . . .	106,842
Prepayments . . . . .	28,531
Materials and supplies inventory . . . . .	6,336
Capital assets:	
Land . . . . .	759,542
Construction in progress . . . . .	49,626
Depreciable capital assets, net . . . . .	24,418,470
Capital assets, net . . . . .	25,227,638
 Total assets . . . . .	 33,446,714
 <b>Liabilities:</b>	
Accounts payable. . . . .	106,749
Accrued wages and benefits . . . . .	759,274
Pension obligation payable. . . . .	213,596
Intergovernmental payable . . . . .	19,607
Deferred revenue . . . . .	2,020,162
Accrued interest payable . . . . .	16,972
Long-term liabilities:	
Due within one year . . . . .	288,788
Due in more than one year. . . . .	5,658,298
 Total liabilities. . . . .	 9,083,446
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	19,851,642
Restricted for:	
Capital projects . . . . .	698,466
Debt service. . . . .	810,112
Classroom facilities and maintenance. . . . .	182,694
State funded programs. . . . .	5,441
Federally funded programs . . . . .	28,815
Student activities . . . . .	52,441
Other purposes . . . . .	193,047
Unrestricted. . . . .	2,540,610
 Total net assets . . . . .	 \$ 24,363,268

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,036,028	\$ 87,126	\$ 72,054	\$ -	\$ (4,876,848)
Special. . . . .	740,471	-	475,399	-	(265,072)
Vocational. . . . .	169,577	-	-	-	(169,577)
Other . . . . .	20,974	-	24,266	-	3,292
Support services:					
Pupil. . . . .	406,175	-	56,203	-	(349,972)
Instructional staff . . . . .	251,835	-	24,633	-	(227,202)
Board of education . . . . .	88,980	-	-	-	(88,980)
Administration. . . . .	983,771	-	4,302	-	(979,469)
Fiscal. . . . .	221,744	-	4,021	28	(217,695)
Business. . . . .	6,173	-	-	-	(6,173)
Operations and maintenance . . . . .	1,155,135	-	12,821	643	(1,141,671)
Pupil transportation. . . . .	397,480	-	3,960	19,925	(373,595)
Central . . . . .	20,795	-	3,200	-	(17,595)
Operation of non-instructional services. . . . .	106,990	-	14,676	-	(92,314)
Food service operations. . . . .	516,288	232,764	167,848	-	(115,676)
Extracurricular activities. . . . .	299,010	123,340	3,378	-	(172,292)
Interest and fiscal charges . . . . .	274,281	-	-	-	(274,281)
<b>Total governmental activities. . . . .</b>	<b>\$ 10,695,707</b>	<b>\$ 443,230</b>	<b>\$ 866,761</b>	<b>\$ 20,596</b>	<b>(9,365,120)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	1,769,524
Special revenue . . . . .	30,679
Debt service. . . . .	514,634
Capital projects . . . . .	39,715
Grants and entitlements not restricted to specific programs. . . . .	5,714,476
Investment earnings . . . . .	234,064
Miscellaneous . . . . .	29,774
<b>Total general revenues. . . . .</b>	<b>8,332,866</b>
Change in net assets . . . . .	(1,032,254)
<b>Net assets at beginning of year. . . . .</b>	<b>25,395,522</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 24,363,268</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 3,424,845	\$ 702,997	\$ 1,279,001	\$ 5,406,843
Receivables:				
Taxes. . . . .	1,950,620	569,160	75,340	2,595,120
Accounts. . . . .	381	-	1,365	1,746
Intergovernmental. . . . .	-	-	106,842	106,842
Interfund receivable . . . . .	106,842	-	-	106,842
Prepayments. . . . .	28,531	-	-	28,531
Materials and supplies inventory . . . . .	-	-	6,336	6,336
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	73,658	-	-	73,658
Total assets . . . . .	<u>\$ 5,584,877</u>	<u>\$ 1,272,157</u>	<u>\$ 1,468,884</u>	<u>\$ 8,325,918</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 101,549	\$ -	\$ 5,200	\$ 106,749
Accrued wages and benefits . . . . .	658,659	-	100,615	759,274
Pension obligation payable. . . . .	176,099	-	37,497	213,596
Intergovernmental payable. . . . .	17,076	-	2,531	19,607
Interfund payable. . . . .	-	-	106,842	106,842
Deferred revenue. . . . .	1,629,624	477,444	79,975	2,187,043
Total liabilities . . . . .	<u>2,583,007</u>	<u>477,444</u>	<u>332,660</u>	<u>3,393,111</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	261,571	-	95,731	357,302
Reserved for materials and supplies inventory. . . . .	-	-	6,336	6,336
Reserved for prepayments . . . . .	28,531	-	-	28,531
Reserved for property tax unavailable for appropriation . . . . .	320,996	91,716	12,284	424,996
Reserved for budget stabilization . . . . .	29,274	-	-	29,274
Reserved for bus purchase. . . . .	44,384	-	-	44,384
Reserved for debt service . . . . .	-	702,997	-	702,997
Unreserved, undesignated, reported in:				
General fund . . . . .	2,317,114	-	-	2,317,114
Special revenue funds. . . . .	-	-	381,705	381,705
Capital projects funds. . . . .	-	-	640,168	640,168
Total fund balances . . . . .	<u>3,001,870</u>	<u>794,713</u>	<u>1,136,224</u>	<u>4,932,807</u>
Total liabilities and fund balances . . . . .	<u>\$ 5,584,877</u>	<u>\$ 1,272,157</u>	<u>\$ 1,468,884</u>	<u>\$ 8,325,918</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$ 4,932,807
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,227,638
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 149,962	
Intergovernmental revenue	<u>16,919</u>	
Total		166,881
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(16,972)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(470,609)	
Lease purchase payable	(457,000)	
General obligation bonds payable	<u>(5,019,477)</u>	
Total		<u>(5,947,086)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 24,363,268</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,757,979	\$ 512,070	\$ 70,026	\$ 2,340,075
Tuition. . . . .	41,274	-	-	41,274
Charges for services. . . . .	-	-	232,764	232,764
Earnings on investments. . . . .	168,826	26,655	38,583	234,064
Extracurricular. . . . .	-	-	123,340	123,340
Classroom materials and fees. . . . .	-	-	47,314	47,314
Other local revenues. . . . .	28,312	-	3,886	32,198
Intergovernmental - State. . . . .	5,654,182	58,896	153,238	5,866,316
Intergovernmental - Federal . . . . .	1,398	-	713,314	714,712
Total revenue . . . . .	<u>7,651,971</u>	<u>597,621</u>	<u>1,382,465</u>	<u>9,632,057</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,269,046	-	119,912	4,388,958
Special. . . . .	255,800	-	453,560	709,360
Vocational. . . . .	151,049	-	2,133	153,182
Other. . . . .	-	-	20,974	20,974
Support services:				
Pupil. . . . .	359,732	-	44,636	404,368
Instructional staff . . . . .	221,718	-	16,675	238,393
Board of education . . . . .	88,980	-	-	88,980
Administration. . . . .	936,720	-	4,481	941,201
Fiscal . . . . .	209,058	9,888	1,611	220,557
Business . . . . .	6,173	-	-	6,173
Operations and maintenance. . . . .	972,274	-	32,823	1,005,097
Pupil transportation . . . . .	337,593	-	136,601	474,194
Central. . . . .	1,784	-	19,011	20,795
Food service operations . . . . .	-	-	434,543	434,543
Other non-instructional services. . . . .	94,739	-	12,251	106,990
Extracurricular activities. . . . .	170,076	-	113,988	284,064
Facilities acquisition and construction . . . . .	-	-	89,319	89,319
Debt service:				
Principal retirement . . . . .	-	262,000	-	262,000
Interest and fiscal charges . . . . .	-	252,374	-	252,374
Total expenditures . . . . .	<u>8,074,742</u>	<u>524,262</u>	<u>1,502,518</u>	<u>10,101,522</u>
Net change in fund balances . . . . .	(422,771)	73,359	(120,053)	(469,465)
<b>Fund balances at beginning of year . . . . .</b>	<u>3,424,641</u>	<u>721,354</u>	<u>1,256,277</u>	<u>5,402,272</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,001,870</u>	<u>\$ 794,713</u>	<u>\$ 1,136,224</u>	<u>\$ 4,932,807</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2006

**Net change in fund balances - total governmental funds** \$ (469,465)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

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. Depreciation expense exceeds capital outlay in the current period.

Capital asset additions	\$	220,675	
Current year depreciation		(978,587)	
			(757,912)

The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.

Disposed assets		(90,374)	
Accumulated depreciation on disposed items		84,822	
			(5,552)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes		14,477	
Intergovernmental		16,919	
			31,396

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.			262,000
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Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.			(21,907)
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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.			(70,814)

**Change in net assets of governmental activities** \$ (1,032,254)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,847,081	\$ 1,857,475	\$ 1,926,752	\$ 69,277
Tuition. . . . .	39,289	39,510	40,984	1,474
Earnings on investments. . . . .	161,845	162,756	168,826	6,070
Other local revenues . . . . .	28,503	28,663	29,732	1,069
Intergovernmental - State . . . . .	5,420,387	5,450,887	5,654,183	203,296
Intergovernmental - Federal. . . . .	1,340	1,348	1,398	50
Total revenue . . . . .	<u>7,498,445</u>	<u>7,540,639</u>	<u>7,821,875</u>	<u>281,236</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,597,455	4,572,402	4,313,741	258,661
Special. . . . .	356,175	354,234	286,388	67,846
Vocational. . . . .	164,635	163,738	153,532	10,206
Support services:				
Pupil. . . . .	380,135	378,064	340,140	37,924
Instructional staff . . . . .	281,335	279,802	257,210	22,592
Board of education . . . . .	103,165	102,603	97,106	5,497
Administration. . . . .	982,842	977,486	951,445	26,041
Fiscal . . . . .	222,624	221,411	210,529	10,882
Business . . . . .	8,066	8,022	6,195	1,827
Operations and maintenance. . . . .	1,828,296	1,818,333	1,100,643	717,690
Pupil transportation . . . . .	454,164	451,689	417,732	33,957
Central. . . . .	4,663	4,638	2,600	2,038
Operation of non-instructional services . . . . .	124,395	123,717	95,721	27,996
Extracurricular activities. . . . .	181,373	180,385	172,671	7,714
Total expenditures . . . . .	<u>9,689,323</u>	<u>9,636,524</u>	<u>8,405,653</u>	<u>1,230,871</u>
Excess of revenues over (under) expenditures. . . . .	<u>(2,190,878)</u>	<u>(2,095,885)</u>	<u>(583,778)</u>	<u>1,512,107</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures. . . . .	7,634	7,677	7,963	286
Transfers in . . . . .	227,327	228,606	237,132	8,526
Transfers (out) . . . . .	(251,370)	(250,000)	(237,132)	12,868
Advances in. . . . .	113,769	114,409	118,676	4,267
Advances (out) . . . . .	-	-	(106,872)	(106,872)
Total other financing sources (uses) . . . . .	<u>97,360</u>	<u>100,692</u>	<u>19,767</u>	<u>(80,925)</u>
Net change in fund balance . . . . .	(2,093,518)	(1,995,193)	(564,011)	1,431,182
<b>Fund balance at beginning of year. . . . .</b>	3,388,158	3,388,158	3,388,158	-
<b>Prior year encumbrances appropriated . . . . .</b>	311,271	311,271	311,271	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,605,911</u>	<u>\$ 1,704,236</u>	<u>\$ 3,135,418</u>	<u>\$ 1,431,182</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 58,669	\$ 49,577
Total assets. . . . .	58,669	\$ 49,577
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 20
Due to students . . . . .	-	49,557
Total liabilities . . . . .	-	\$ 49,577
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	58,669	
Total net assets . . . . .	\$ 58,669	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	
<b>Additions:</b>		
Interest . . . . .	\$	1,432
Gifts and contributions. . . . .		<u>1,250</u>
Total additions and changes in net assets. . .		<u>2,682</u>
<b>Deductions:</b>		
Scholarships awarded . . . . .		<u>3,464</u>
Change in net assets . . . . .		(782)
<b>Net assets at beginning of year. . . . .</b>		<u>59,451</u>
<b>Net assets at end of year . . . . .</b>	\$	<u><u>58,669</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

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

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

The District currently operates two elementary schools and one comprehensive high school. The District employs 44 non-certified and 87 certified (including administrative) full-time and part-time employees to provide services to approximately 1,283 students in grades K through 12 and various community groups, which ranks it 418<sup>th</sup> out of approximately 615 public and community school districts in Ohio.

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

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

**A. Reporting Entity**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northwestern Ohio Educational Research Council, Inc. (the "Council")

The Council is a jointly governed organization which serves a twenty-five county area in Northwest Ohio. The research council was formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research; coordinate educational research, serve as a repository for research and legislative material, and provide opportunities for training. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information is available from the Northwestern Ohio Educational Research Council, Inc., Box 456 Ashland, Ohio 44805.

Bay Area Council of Governments (the "BACG")

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

Vanguard Sentinel Career Center (the "Career Center")

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Northern Ohio Educational Computer Association

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

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Plan

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

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

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

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

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

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

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

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

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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation 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 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination. The Sandusky County Commissioners waived this requirement for fiscal 2006.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and first digit object 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 and first digit object appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
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, 2006, 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 and first digit object level.

**F. Cash and Investments**

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

During fiscal year 2006, 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 share price which is the price the investment could be sold for on June 30, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2006 amounted to \$168,826, which includes \$19,919 assigned from other funds.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance 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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, 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 severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006 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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and loans are recognized as a liability on the fund financial statements when due.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, net assets restricted by enabling legislation was zero in the statement of net assets.

**N. Prepayments**

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

**O. Estimates**

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

**P. Restricted Assets**

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**Q. 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.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2006 the District had no extraordinary or special items.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Management Information Systems	\$ 14
Public School Support	7,510
Ohio Reads	7
Title VI - B	1,453
Title VI	11
Drug Free School Grant	17
Preschool	21
Reducing Class Size	920

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim moneys 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.

Protection of 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.

Interim monies to 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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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 division (1) or (2) of this section 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.

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

**A. Cash on Hand**

At year-end, the District had \$2,175 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$4,803,237. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$4,646,975 of the District's bank balance of \$4,946,975 was exposed to custodial risk as discussed below, while \$300,000 was covered by Federal Deposit Insurance Corporation.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturities</u> 6 months or less
STAR Ohio	\$ 783,335	\$ 783,335

*Interest Rate Risk:* 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:* Standard & Poor's has assigned STAR Ohio and AAAM money market rating.

*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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 783,335	100.00

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 4,803,237
Investments	783,335
Cash on hand	<u>2,175</u>
Total	<u>\$ 5,588,747</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 5,480,501
Private-purpose trust fund	58,669
Agency funds	<u>49,577</u>
 Total	 <u>\$ 5,588,747</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 106,842

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Sandusky County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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 revenue.

The amount available as an advance at June 30, 2006 was \$320,996 in the general fund, \$91,716 in the debt service fund, 6,892 in the permanent improvement capital projects fund type and \$5,392 in the classroom maintenance special revenue fund type. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$489,768 in the general fund, \$143,511 in the debt service fund, \$10,751 in the permanent improvement fund type and \$8,396 in the classroom maintenance special revenue fund type.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 76,519,550	90.49	\$ 79,290,360	91.74
Public utility personal	3,757,540	4.44	3,694,050	4.27
Tangible personal property	<u>4,283,580</u>	<u>5.07</u>	<u>3,442,606</u>	<u>3.99</u>
Total	<u>\$ 84,560,670</u>	<u>100.00</u>	<u>\$ 86,427,016</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 51.30		\$ 51.30	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 2,595,120
Accounts	1,746
Intergovernmental	<u>106,842</u>
Total	<u>\$ 2,703,708</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 759,542	\$ -	\$ -	\$ 759,542
Construction in progress	-	49,626	-	49,626
Total capital assets, not being depreciated	<u>759,542</u>	<u>49,626</u>	<u>-</u>	<u>809,168</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,438,083	-	-	2,438,083
Buildings and improvements	23,265,813	-	-	23,265,813
Furniture and equipment	1,692,552	29,049	(3,176)	1,718,425
Vehicles	619,873	142,000	(87,198)	674,675
Total capital assets, being depreciated	<u>28,016,321</u>	<u>171,049</u>	<u>(90,374)</u>	<u>28,096,996</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(274,655)	(126,688)	-	(401,343)
Buildings and improvements	(1,732,663)	(581,987)	-	(2,314,650)
Furniture and equipment	(358,491)	(205,275)	3,176	(560,590)
Vehicles	(418,952)	(64,637)	81,646	(401,943)
Total accumulated depreciation	<u>(2,784,761)</u>	<u>(978,587)</u>	<u>84,822</u>	<u>(3,678,526)</u>
Governmental activities capital assets, net	<u>\$ 25,991,102</u>	<u>\$ (757,912)</u>	<u>\$ (5,552)</u>	<u>\$ 25,227,638</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 610,389
Special	25,794
Vocational	16,395
<u>Support Services:</u>	
Pupil	524
Instructional Staff	12,884
Administration	39,535
Fiscal	600
Operations and maintenance	117,711
Pupil transportation	64,637
Food service operation	75,172
Extracurricular activities	14,946
Total depreciation expense	<u>\$ 978,587</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 9 - LEASE-PURCHASE OBLIGATION**

During fiscal 2005, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the acquisition and construction of an athletic out-building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments is general operating revenue of the District. During fiscal year 2006, the District made \$62,000 in principal payments and \$22,744 in interest and administrative fees on the lease-purchase agreement.

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2007	\$ 85,034
2008	82,194
2009	79,354
2010	76,514
2010	73,672
2012 - 2013	<u>140,825</u>
Total minimum lease payments	537,593
Less amount representing interest	<u>(80,593)</u>
Total	<u>\$ 457,000</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/06</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 399,795	\$ 118,536	\$ (47,722)	\$ 470,609	\$ 13,788
General obligation bonds					
Current interest	4,925,000	-	(200,000)	4,725,000	210,000
Capital appreciation	193,996	-	-	193,996	-
Accreted interest	76,733	23,748	-	100,481	-
Lease-purchase obligation	<u>519,000</u>	<u>-</u>	<u>(62,000)</u>	<u>457,000</u>	<u>65,000</u>
Total long-term obligations, governmental activities	<u>\$ 6,114,524</u>	<u>\$ 142,284</u>	<u>\$ (309,722)</u>	<u>\$ 5,947,086</u>	<u>\$ 288,788</u>



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*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. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 7.00 (average) mill bonded debt tax levy.

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

This issue is comprised of term current interest bonds, par value \$3,340,000, serial current interest bonds, par value \$2,245,000, and capital appreciation bonds, par value \$530,000. The capital appreciation bonds mature each December 1, 2012 and 2013, (effective interest rate 8.587%) at a redemption price equal to 100% of the principal. The capital appreciation bonds were issued at a price of \$193,996. Total accreted interest of \$100,481 has been included in the general long-term obligations account group at June 30, 2006.

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

- B.** Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30	Current Interest General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 210,000	\$ 227,285	\$ 437,285	\$ -	\$ -	\$ -
2008	215,000	219,200	434,200	-	-	-
2009	225,000	210,600	435,600	-	-	-
2010	235,000	201,262	436,262	-	-	-
2011	245,000	191,275	436,275	-	-	-
2012 - 2016	800,000	844,448	1,644,448	530,000	-	530,000
2017 - 2021	1,620,000	555,360	2,175,360	-	-	-
2022 - 2024	1,175,000	122,570	1,297,570	-	-	-
Total	<u>\$ 4,725,000</u>	<u>\$ 2,572,000</u>	<u>\$ 7,297,000</u>	<u>\$ 530,000</u>	<u>\$ -</u>	<u>\$ 530,000</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**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 effects of these debt limitations at June 30, 2006 are a voted debt margin of \$3,024,148 and an unvoted debt margin of \$79,427.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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

During fiscal year 2006, The District purchased from Securance Service Inc. (through the Indiana Insurance Company) for the following insurance coverage:

Building and Contents	\$ 29,101,123
Umbrella Liability:	
Per Occurrence	5,000,000
Aggregate	5,000,000
Commercial Liability:	
Per Occurrence	1,000,000
Aggregate	2,000,000
Auto Liability:	
Per Occurrence	1,000,000
Employee Benefits Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Sexual Misconduct and Molestation Liability	
Per Occurrence	1,000,000
Aggregate	1,000,000
Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
School Leaders Errors and Omissions	
Per Occurrence	1,000,000
Aggregate	1,000,000

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

Settled claims have not exceeded any of the above coverages in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2005.

**B. Group Health Insurance**

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

**C. Workers' Compensation Plan**

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

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

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$111,228, \$97,532, and \$76,461 respectively; 36.76% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$70,340 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$587,890, \$565,623, and \$533,543 respectively; 83.05% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$99,629 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2006 were \$162 made by the District and \$282 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2006, two members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$45,222 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 1.13 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$42,043 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**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:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (564,011)
Net adjustment for revenue accruals	(169,904)
Net adjustment for expenditure accruals	(32,174)
Net adjustment for other sources/uses	(19,767)
Adjustment for encumbrances	<u>363,085</u>
GAAP basis	<u>\$ (422,771)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks/ Instructional Supplies</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2005	\$ 217,543	\$ -	\$ 29,274
Current year set-aside requirement	173,492	173,492	-
Current year offsets	-	(33,524)	-
Qualifying disbursements	<u>(430,558)</u>	<u>(153,851)</u>	<u>-</u>
Total	<u>\$ (39,523)</u>	<u>\$ (13,883)</u>	<u>\$ 29,274</u>
Cash balance carried forward to FY 2007	<u>\$ (39,523)</u>	<u>\$ -</u>	<u>\$ 29,274</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 16 - STATUTORY RESERVES - (Continued)**

In addition to the above statutory reserves, the District has \$44,384 in cash restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2006 follows:

Fund balance - reserved for school bus purchases	\$ 44,384
Fund balance - reserved for budget stabilization	<u>29,274</u>
Total restricted assets	<u><u>\$ 73,658</u></u>

**NOTE 17 - SUBSEQUENT EVENT**

Effective November 6, 2006, Ms. Jenny Moneghan was hired as Interim Treasurer of the District.



## **SUPPLEMENTAL DATA**

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A) (C) Food Donation	10.550	N/A	\$ -	\$ 56,806	\$ -	\$ 56,806
(A) (D) School Breakfast Program	10.553	045385-05PU-2005	787	-	787	-
(A) (D) National School Lunch Program	10.555	045385-LLP4-2005	34,033	-	34,033	-
(A) (D) National School Lunch Program	10.555	045385-LLP4-2006	71,966	-	71,966	-
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>106,786</u>	<u>56,806</u>	<u>106,786</u>	<u>56,806</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE N/A</b>						
Title I Grants to Local Educational Agencies	84.010	045385-C1S1-2005	8,145		10,557	
Title I Grants to Local Educational Agencies	84.010	045385-C1S1-2006	110,668		110,617	
<b>Total Title I Grants to Local Educational Agencies</b>			<u>118,813</u>		<u>121,174</u>	
Migrant Education_State Grant Program	84.011	045385-MGS1-2005	44,985		46,869	
Migrant Education_State Grant Program	84.011	045385-MGS1-2006	16,477		17,538	
<b>Total Migrant Education_State Grant Program</b>			<u>61,462</u>		<u>64,407</u>	
<b>Special Education Cluster</b>						
(B) Special Education_Grants to States	84.027	045385-6BSF-2005	25,203		21,565	
(B) Special Education_Grants to States	84.027	045385-6BSF-2006	221,025		213,614	
<b>Total Title VI-B</b>			<u>246,228</u>		<u>235,179</u>	
(B) Special Education_Preschool Grants	84.173	045385-PGS1-2005	750		-	
(B) Special Education_Preschool Grants	84.173	045385-PGS1-2006	5,894		5,894	
<b>Total Special Education: Preschool Grants</b>			<u>6,644</u>		<u>5,894</u>	
<b>Total Special Education Cluster</b>			<u>252,872</u>		<u>241,073</u>	
Safe and Drug-Free Schools and Communities_State Grants	84.186	045385-DRS1-2005	-		200	
Safe and Drug-Free Schools and Communities_State Grants	84.186	045385-DRS1-2006	5,225		5,225	
<b>Total Special Education _Grants to States</b>			<u>5,225</u>		<u>5,425</u>	
State Grants for Innovative Programs	84.298	045385-C2S1-2005	652		1,209	
State Grants for Innovative Programs	84.298	045385-C2S1-2006	3,191		3,191	
<b>Total State Grants for Innovative Programs</b>			<u>3,843</u>		<u>4,400</u>	
Education Technology State Grants	84.318	045385-TJS1-2005	656		1,011	
Education Technology State Grants	84.318	045385-TJS1-2006	2,207		2,207	
<b>Total Education Technology State Grants</b>			<u>2,863</u>		<u>3,218</u>	
Improving Teacher Quality State Grants	84.367	045385-TRS1-2005	9,275		8,047	
Improving Teacher Quality State Grants	84.367	045385-TRS1-2006	47,276		43,881	
<b>Total Improving Teacher Quality State Grants</b>			<u>56,551</u>		<u>51,928</u>	
<b>Total U.S. Department of Education</b>			<u>501,629</u>		<u>491,625</u>	
<b>U.S. DEPARTMENT OF HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES</b>						
Medical Assistance Program	93.778	N/A	1,456		1,456	
<b>Total U.S. Department of Human Services</b>			<u>1,456</u>		<u>1,456</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 609,871</u>	<u>\$ 56,806</u>	<u>\$ 599,867</u>	<u>\$ 56,806</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
(B) Included as part of "Special Education Grant Cluster" in determining major programs.  
(C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
(E) This schedule was prepared on the cash basis of accounting.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Gibsonburg Exempted Village School District  
301 South Sunset Avenue  
Gibsonburg, Ohio 43431-1256

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gibsonburg Exempted Village School District (the "District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gibsonburg Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated October 27, 2006.

Board of Education  
Gibsonburg Exempted Village School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gibsonburg Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Gibsonburg Exempted Village School District, in a separate letter dated October 27, 2006.

This report is intended solely for the information of the Board and management of the Gibsonburg Exempted Village School District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.

October 27, 2006, except for Note 17 which is dated November 6, 2006



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its  
Major Federal Program and on Internal Control Over Compliance In  
Accordance With OMB Circular A-133**

Board of Education  
Gibsonburg Exempted Village School District  
301 South Sunset Avenue  
Gibsonburg, Ohio 43431-1256

Compliance

We have audited the compliance of the Gibsonburg Exempted Village School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2006. The Gibsonburg Exempted Village School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Gibsonburg Exempted Village School District's management. Our responsibility is to express an opinion on the Gibsonburg Exempted Village School District's compliance based on our audit.

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

In our opinion, the Gibsonburg Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Board of Education  
Gibsonburg Exempted Village School District

Internal Control Over Compliance

The management of the Gibsonburg Exempted Village School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Gibsonburg Exempted Village School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board and management of the Gibsonburg Exempted Village School District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
October 27, 2006, except for Note 17 which is dated November 6, 2006

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Was there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Special Education Cluster: Special Education - Grants to States - CFDA #84.027 and Special Education - Preschool Handicapped - CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 18, 2007**