



Dave Yost • Auditor of State

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gibsonburg Exempted Village School District, Sandusky County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gibsonburg Exempted Village School District, Sandusky County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 11, 2018

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The management's discussion and analysis of the Gibsonburg Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities decreased \$415,825 which represents a 38.78% decrease from net position at June 30, 2016.
- General revenues accounted for \$9,027,365 or 81.44% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,057,519 or 18.56% of total revenues of \$11,084,884.
- The District had \$11,500,709 in expenses related to governmental activities; program specific charges for services, grants and contributions offset \$2,057,519 of these expenses. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,027,365 were inadequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$9,623,194 in revenues and \$9,154,371 in expenditures and other financing uses. The general fund's fund balance increased \$468,823 from a deficit of \$743,820 to a deficit of \$274,997.
- The District's other major governmental fund is the debt service fund. The debt service fund had \$300,432 in revenues and \$436,027 in expenditures. The debt service fund's fund balance decreased \$135,595 from \$1,444,448 to a balance of \$1,308,853.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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perform financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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(Continued)

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

The District as a Whole

The table below provides a summary of the District's net position for fiscal years 2017 and 2016.

	Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 4,621,543	\$ 4,517,669
Capital assets, net	<u>17,374,012</u>	<u>18,071,452</u>
Total assets	<u>21,995,555</u>	<u>22,589,121</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	88,147	101,885
Pension	<u>3,251,317</u>	<u>1,504,957</u>
Total deferred outflows of resources	<u>3,339,464</u>	<u>1,606,842</u>
<u>Liabilities</u>		
Current liabilities	1,112,164	1,544,902
Long-term liabilities:		
Due within one year	451,185	516,165
Due in more than one year:		
Net pension liability	17,480,036	14,140,040
Other amounts	<u>2,891,553</u>	<u>3,205,447</u>
Total liabilities	<u>21,934,938</u>	<u>19,406,554</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	2,231,560	2,041,938
Pensions	<u>512,193</u>	<u>1,675,318</u>
Total deferred inflows of resources	<u>2,743,753</u>	<u>3,717,256</u>
<u>Net Position</u>		
Net investment in capital assets	15,038,638	15,570,806
Restricted	1,156,205	1,058,780
Unrestricted (deficit)	<u>(15,538,515)</u>	<u>(15,557,433)</u>
Total net position	<u>\$ 656,328</u>	<u>\$ 1,072,153</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$656,328. The District also has \$1,156,205 that is restricted in use.

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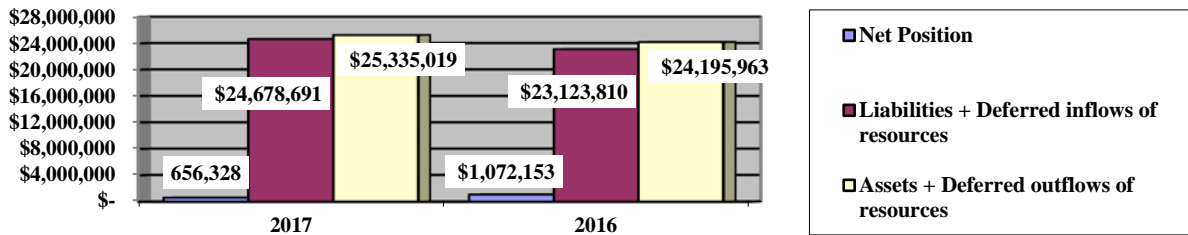
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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At year-end, capital assets represented 78.99% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2017, was \$15,038,638. Capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,156,205 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$15,538,515.

The table below provides a summary of the District's net position for 2017 and 2016.

Governmental Activities



Net position of the District's governmental activities decreased \$415,825. Total governmental expenses of \$11,500,709 were partially offset by program revenues of \$2,057,519 and general revenues of \$9,027,365. Program revenues supported 17.89% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 81.03% of total governmental revenue. Property tax revenues decreased \$145,636 while income taxes increased by \$135,025 in fiscal year 2017.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,837,399 or 59.45% of total governmental expenses for fiscal year 2017, the most significant component of which is expenses for regular instruction.

The table below shows changes in net position for governmental activities for fiscal year 2017 compared to fiscal year 2016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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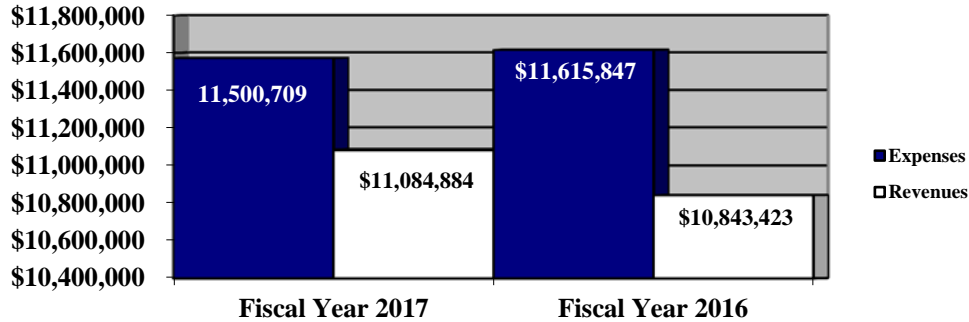
	Change in Net Position	
	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 964,992	\$ 833,976
Operating grants and contributions	1,092,527	1,023,317
General revenues:		
Property taxes	2,444,021	2,589,657
School district income taxes	885,446	750,421
Grants and entitlements	5,652,705	5,631,148
Investment earnings	4,249	2,816
Other	40,944	12,088
Total revenues	<u>11,084,884</u>	<u>10,843,423</u>
<u>Expenses</u>		
Instruction:		
Regular	5,354,382	5,067,123
Special	1,351,012	1,250,743
Vocational	132,005	120,306
Support services:		
Pupil	417,547	402,242
Instructional staff	76,751	63,512
Board of education	40,677	54,319
Administration	904,595	1,015,623
Fiscal	592,259	552,254
Business	5,756	5,697
Operations and maintenance	1,154,722	1,433,928
Pupil transportation	290,028	421,190
Central	1,382	1,575
Operation of non-instructional services:		
Food service operations	535,185	532,523
Other non-instructional services	114,951	176,249
Extracurricular activities	376,507	346,273
Interest and fiscal charges	152,950	172,290
Total expenses	<u>11,500,709</u>	<u>11,615,847</u>
Change in net position	<u>(415,825)</u>	<u>(772,424)</u>
Net position at beginning of year	<u>1,072,153</u>	<u>1,844,577</u>
Net position at end of year	<u>\$ 656,328</u>	<u>\$ 1,072,153</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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(Continued)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2017 and 2016.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses:				
Instruction:				
Regular	\$ 5,354,382	\$ 4,620,080	\$ 5,067,123	\$ 4,453,771
Special	1,351,012	589,738	1,250,743	586,895
Vocational	132,005	110,761	120,306	100,197
Support services:				
Pupil	417,547	417,547	402,242	402,242
Instructional staff	76,751	76,751	63,512	63,512
Board of Education	40,677	40,677	54,319	54,319
Administration	904,595	904,595	1,015,623	1,015,623
Fiscal	592,259	592,259	552,254	552,254
Business	5,756	5,756	5,697	5,697
Operations and maintenance	1,154,722	1,146,741	1,433,928	1,426,023
Pupil transportation	290,028	290,028	421,190	421,190
Central	1,382	1,382	1,575	1,575
Operation of non-instructional services				
Food service operations	535,185	100,094	532,523	68,327
Other non-instructional services	114,951	101,805	176,249	171,534
Extracurricular activities	376,507	292,026	346,273	263,105
Interest and fiscal charges	152,950	152,950	172,290	172,290
Total expenses	\$ 11,500,709	\$ 9,443,190	\$ 11,615,847	\$ 9,758,554

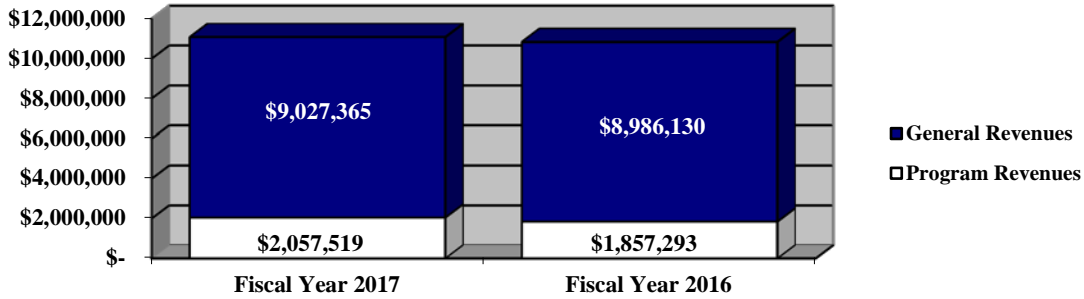
The dependence upon tax and other general revenues for governmental activities is apparent, as 77.82% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.11%.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,032,237, which is greater than last year's total of \$673,141. The schedule below indicates the fund balance and the total changes in fund balance as of June 30, 2017, and 2016.

	Fund Balance (Deficit) June 30, 2017	Fund Balance (Deficit) June 30, 2016	Change	Percentage Change
General fund	\$ (274,997)	\$ (743,820)	\$ 468,823	63.03 %
Debt service fund	1,308,853	1,444,448	(135,595)	(9.39) %
Nonmajor governmental funds	(1,619)	(27,487)	25,868	94.11 %
Total	<u>\$ 1,032,237</u>	<u>\$ 673,141</u>	<u>\$ 359,096</u>	53.35 %

General Fund

During fiscal year 2017, the District's general fund revenues increased 2.15% and expenditures decreased 8.05%.

Property and income tax revenue of the general fund increased 1.19% from fiscal year 2016; this increase resulted from an increase in income tax revenue collected for fiscal year 2017. Tuition revenues increased 23.59% from fiscal year 2016; this increase resulted from an increase of tuition collected from the foundation settlements for fiscal year 2017. Intergovernmental revenues remained similar from fiscal year 2016 to fiscal year 2017.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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The following table summarizes the revenues of the general fund for the fiscal years ended June 30, 2017 and 2016.

	2017 Amount	2016 Amount	Change	Percentage Change
<u>Revenues</u>				
Taxes	\$ 2,970,610	\$ 2,935,669	\$ 34,941	1.19 %
Tuition	596,597	482,722	113,875	23.59 %
Earnings on investments	4,243	3,212	1,031	32.10 %
Intergovernmental	5,942,761	5,931,703	11,058	0.19 %
Other revenues	108,983	67,313	41,670	61.90 %
Total	<u>\$ 9,623,194</u>	<u>\$ 9,420,619</u>	<u>\$ 202,575</u>	2.15 %

Expenditures decreased \$793,216 during fiscal year 2017. Support services expenditures decreased 13.12% during fiscal year 2017 due to decreased spending for operations and maintenance to support the District's facilities. Non-instructional services decreased 40.21% during fiscal year 2017 due to a decrease in expenditures for wages and benefits. All other expenditures remained consistent with fiscal year 2016.

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

	2017 Amount	2016 Amount	Change	Percentage Change
<u>Expenditures</u>				
Instruction	\$ 5,434,836	\$ 5,665,972	\$ (231,136)	(4.08) %
Support services	3,229,077	3,716,507	(487,430)	(13.12) %
Non-instructional services	99,118	165,764	(66,646)	(40.21) %
Extracurricular activities	233,430	243,417	(9,987)	(4.10) %
Debt service	69,536	67,553	1,983	2.94 %
Total	<u>\$ 9,065,997</u>	<u>\$ 9,859,213</u>	<u>\$ (793,216)</u>	(8.05) %

Debt Service Fund

The debt service fund had \$300,432 in revenues and \$436,027 in expenditures during fiscal year 2017. The debt service fund's fund balance decreased \$135,595 from \$1,444,448 to a balance of \$1,308,853.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the District amended its budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,712,917 and final budgeted revenues and other financing sources were \$10,013,908. The actual budget basis revenues and other financing sources for fiscal year 2017 were \$9,967,912, which was slightly lower than the final budget.

General fund original appropriated expenditures and other financing uses totaled \$9,346,488 and were increased to \$10,058,968 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$9,923,374, which were \$135,594 less than final budgeted appropriations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$17,374,012 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2017 balances compared to June 30, 2016:

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

	Governmental Activities	
	2017	2016
Land	\$ 759,542	\$ 759,542
Land improvements	823,492	953,015
Building and improvements	15,316,349	15,895,849
Furniture and equipment	338,861	441,945
Vehicles	135,768	21,101
Total	\$ 17,374,012	\$ 18,071,452

The overall decrease in capital assets of \$697,440 is due to depreciation expense of \$879,282 exceeding capital asset additions of \$181,842 during fiscal year 2017.

Debt Administration

At June 30, 2017, the District had \$331,604 in capital appreciation bonds and accreted interest, \$2,150,000 in current interest bonds, \$66,245 in capital lease obligations outstanding. Of this total, \$397,849 is due within one year and \$2,150,000 is due in greater than one year.

At June 30, 2017, the District had an overall legal debt margin of 9,627,318 and an unvoted debt margin of \$117,296.

The table that follows summarizes the bonds and loans outstanding at June 30, 2017.

**Outstanding Debt at Year End
Governmental Activities**

	2017	2016
Capital appreciation bonds and accreted interest	\$ 331,604	\$ 606,626
Current interest bonds	2,150,000	2,150,000
Capital lease obligation	66,245	130,148
Loans payable	-	300,000
Total	\$ 2,547,849	\$ 3,186,774

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)

Current Financial Related Activities

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

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

The District has communicated to its community that it relies upon its support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. The support of the community was measured in November 2000 when the voters approved a 6.8 mil levy for new/renovated facilities with the Ohio School Facilities Commission. The District built a new 114,000 square foot middle/high school and completely renovated and doubled the size of the elementary school. Prior to that, the last operating levy was passed in November 1994 for 7.5 mils for a continuing period of time. In November of 2014, the District proceeded with the renewal of a five year, 1.0 mil permanent improvement levy. The levy passed successfully with a 57% approval vote. A portion of the revenue is currently being used to maintain and update the District's facilities.

On November 5, 2013 voters approved a .75% income tax levy. This levy is important to the District's financial condition going forward and its commitment to serving its students.

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

Contacting the District's Financial Management

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

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,455,274
Receivables:	
Property taxes	2,728,276
Income taxes.	352,646
Accrued interest	893
Intergovernmental	54,013
Prepayments	25,390
Materials and supplies inventory.	536
Inventory held for resale.	4,515
Capital assets:	
Nondepreciable capital assets	759,542
Depreciable capital assets, net.	16,614,470
Capital assets, net	17,374,012
Total assets.	21,995,555
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	88,147
Pension - STRS	2,518,450
Pension - SERS	732,867
Total deferred outflows of resources	3,339,464
 Liabilities:	
Accounts payable.	43,544
Accrued wages and benefits payable	830,378
Intergovernmental payable	101,933
Pension and post employment benefits payable.	129,387
Accrued interest payable	6,922
Long-term liabilities:	
Due within one year.	451,185
Due in more than one year:	
Net pension liability	17,480,036
Other amounts due in more than one year	2,891,553
Total liabilities	21,934,938
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,231,560
Intergovernmental revenue not available.	15,918
Miscellaneous revenue not available	(15,918)
Pension - STRS.	501,614
Pension - SERS.	10,579
Total deferred inflows of resources	2,743,753
 Net position:	
Net investment in capital assets	15,038,638
Restricted for:	
Capital projects	8,892
Classroom facilities maintenance	58,335
Debt service.	1,073,349
Locally funded programs	5,709
State funded programs.	2,700
Student activities	5,785
Other purposes	1,435
Unrestricted (deficit)	(15,538,515)
Total net position.	\$ 656,328

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 5,354,382	\$ 654,447	\$ 79,855	\$ (4,620,080)
Special	1,351,012	-	761,274	(589,738)
Vocational	132,005	-	21,244	(110,761)
Support services:				
Pupil	417,547	-	-	(417,547)
Instructional staff	76,751	-	-	(76,751)
Board of education	40,677	-	-	(40,677)
Administration	904,595	-	-	(904,595)
Fiscal	592,259	-	-	(592,259)
Business	5,756	-	-	(5,756)
Operations and maintenance	1,154,722	1,603	6,378	(1,146,741)
Pupil transportation	290,028	-	-	(290,028)
Central	1,382	-	-	(1,382)
Operation of non-instructional services:				
Other non-instructional services	114,951	-	13,146	(101,805)
Food service operations	535,185	240,410	194,681	(100,094)
Extracurricular activities	376,507	68,532	15,949	(292,026)
Interest and fiscal charges	152,950	-	-	(152,950)
Total governmental activities	\$ 11,500,709	\$ 964,992	\$ 1,092,527	(9,443,190)

General revenues:

Property taxes levied for:	
General purposes	2,095,389
Debt service	278,278
Capital outlay	39,222
Classroom facilities maintenance	31,132
Income taxes levied for:	
General purposes	885,446
Grants and entitlements not restricted	
to specific programs	5,652,705
Investment earnings	4,249
Miscellaneous	40,944
Total general revenues	9,027,365
Change in net position	(415,825)
Net position at beginning of year	1,072,153
Net position at end of year	\$ 656,328

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 120,987	\$ 1,265,738	\$ 68,549	\$ 1,455,274
Receivables:				
Property taxes.	2,332,388	316,722	79,166	2,728,276
Income taxes	352,646	-	-	352,646
Accrued interest	893	-	-	893
Interfund loans	4,371	-	-	4,371
Intergovernmental.	54,013	-	-	54,013
Prepayments.	25,390	-	-	25,390
Materials and supplies inventory.	-	-	536	536
Inventory held for resale.	-	-	4,515	4,515
Total assets	<u>\$ 2,890,688</u>	<u>\$ 1,582,460</u>	<u>\$ 152,766</u>	<u>\$ 4,625,914</u>
Liabilities:				
Accounts payable	\$ 43,544	\$ -	\$ -	\$ 43,544
Accrued wages and benefits payable	765,361	-	65,017	830,378
Compensated absences payable	29,635	-	-	29,635
Intergovernmental payable	101,177	-	756	101,933
Pension and postemployment benefits payable	113,554	-	15,833	129,387
Interfund loans payable.	-	-	4,371	4,371
Total liabilities.	<u>1,053,271</u>	<u>-</u>	<u>85,977</u>	<u>1,139,248</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	1,907,805	258,998	64,757	2,231,560
Delinquent property tax revenue not available.	107,585	14,609	3,651	125,845
Income tax revenue not available	58,680	-	-	58,680
Intergovernmental revenue not available.	38,344	-	-	38,344
Total deferred inflows of resources	<u>2,112,414</u>	<u>273,607</u>	<u>68,408</u>	<u>2,454,429</u>
Total liabilities and deferred inflows of resources	<u>3,165,685</u>	<u>273,607</u>	<u>154,385</u>	<u>3,593,677</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	536	536
Prepays.	25,390	-	-	25,390
Restricted:				
Debt service	-	1,308,853	-	1,308,853
Capital improvements	-	-	6,857	6,857
Classroom facilities maintenance	-	-	56,719	56,719
Other purposes.	-	-	9,844	9,844
Extracurricular activities.	-	-	5,785	5,785
Student and staff support.	71	-	-	71
Unassigned (deficit)	(300,458)	-	(81,360)	(381,818)
Total fund balances (deficit)	<u>(274,997)</u>	<u>1,308,853</u>	<u>(1,619)</u>	<u>1,032,237</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,890,688</u>	<u>\$ 1,582,460</u>	<u>\$ 152,766</u>	<u>\$ 4,625,914</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	1,032,237
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			17,374,012
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	125,845	
Income taxes receivable		58,680	
Intergovernmental receivable		38,344	
Total			222,869
Unamortized premiums on bonds issued are not recognized in the funds.			(118,863)
Unamortized amounts on refundings are not recognized in the funds.			88,147
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(6,922)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		3,251,317	
Deferred inflows of resources - pension		(512,193)	
Net pension liability		(17,480,036)	
Total			(14,740,912)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(2,481,604)	
Capital lease obligations		(66,245)	
Compensated absences		(646,391)	
Total			(3,194,240)
Net position of governmental activities		\$	656,328

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,080,629	\$ 277,297	\$ 69,975	\$ 2,427,901
Income taxes	889,981	-	-	889,981
Tuition	596,597	-	-	596,597
Earnings on investments	4,243	6	5	4,254
Charges for services	-	-	241,618	241,618
Extracurricular	2,859	-	68,532	71,391
Classroom materials and fees	57,850	-	-	57,850
Rental income	395	-	-	395
Contributions and donations	6,935	-	10,484	17,419
Other local revenues	40,944	-	8,814	49,758
Intergovernmental - state	5,942,761	23,129	124,895	6,090,785
Intergovernmental - federal	-	-	603,074	603,074
Total revenues	<u>9,623,194</u>	<u>300,432</u>	<u>1,127,397</u>	<u>11,051,023</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,491,375	-	93,779	4,585,154
Special	833,807	-	433,180	1,266,987
Vocational	109,654	-	-	109,654
Support services:				
Pupil	419,760	-	-	419,760
Instructional staff	64,213	-	-	64,213
Board of education	39,941	-	-	39,941
Administration	839,622	-	-	839,622
Fiscal	573,010	8,901	1,706	583,617
Business	5,756	-	-	5,756
Operations and maintenance	938,127	-	19,603	957,730
Pupil transportation	347,266	-	46,653	393,919
Central	1,382	-	-	1,382
Operation of non-instructional services:				
Other non-instructional services	99,118	-	9,846	108,964
Food service operations	-	-	467,513	467,513
Extracurricular activities	233,430	-	117,623	351,053
Debt service:				
Principal retirement	63,903	96,852	-	160,755
Interest and fiscal charges	5,633	87,126	-	92,759
Accreted interest on capital appreciation bonds	-	243,148	-	243,148
Total expenditures	<u>9,065,997</u>	<u>436,027</u>	<u>1,189,903</u>	<u>10,691,927</u>
Excess of revenues over (under) expenditures	<u>557,197</u>	<u>(135,595)</u>	<u>(62,506)</u>	<u>359,096</u>
Other financing sources (uses):				
Transfers in	-	-	88,374	88,374
Transfers (out)	<u>(88,374)</u>	<u>-</u>	<u>-</u>	<u>(88,374)</u>
Total other financing sources (uses)	<u>(88,374)</u>	<u>-</u>	<u>88,374</u>	<u>-</u>
Net change in fund balances	468,823	(135,595)	25,868	359,096
Fund balances (deficit) at beginning of year	<u>(743,820)</u>	<u>1,444,448</u>	<u>(27,487)</u>	<u>673,141</u>
Fund balances (deficit) at end of year	<u>\$ (274,997)</u>	<u>\$ 1,308,853</u>	<u>\$ (1,619)</u>	<u>\$ 1,032,237</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds \$ 359,096

*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.

Capital asset additions	\$	181,842	
Current year depreciation		(879,282)	
Total			(697,440)

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

Property taxes	16,120		
Income taxes	(4,535)		
Earnings on investments	(150)		
Miscellaneous	22,426		
Total			33,861

Repayment of bond and capital lease principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities
on the statement of net position. Principal payments during the year were:

Capital appreciation bonds	96,852		
Accreted interest on capital appreciation bonds	243,148		
Capital leases	63,903		
Total			403,903

In the statement of activities, interest is accrued on outstanding bonds,
whereas in governmental funds, an interest expenditure is reported
when due. The following items resulted in additional interest being
reported in the statement of activities:

Accreted interest on capital appreciation bonds	(64,978)		
Amortization of bond premiums	18,525		
Amortization of deferred charges	(13,738)		
Total			(60,191)

Contractually required contributions are reported as expenditures in
governmental funds; however, the statement of activities reports
these amounts as deferred outflows.

764,967

Except for amounts reported as deferred inflows/outflows, changes
in the net pension liability are reported as pension expense in the
statement of activities.

(1,195,478)

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.

(24,543)

Change in net position of governmental activities \$ (415,825)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,171,951	\$ 2,239,317	\$ 2,229,022	\$ (10,295)
Income taxes.	828,840	854,547	850,619	(3,928)
Tuition.	581,322	599,352	596,597	(2,755)
Earnings on investments	3,796	3,914	3,896	(18)
Rental income	385	397	395	(2)
Other local revenues	29,281	39,494	37,933	(1,561)
Intergovernmental - state	5,788,734	5,968,279	5,940,842	(27,437)
Total revenues	<u>9,404,309</u>	<u>9,705,300</u>	<u>9,659,304</u>	<u>(45,996)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,261,160	4,589,243	4,580,211	9,032
Special.	760,988	819,579	819,579	-
Vocational.	101,437	109,247	109,247	-
Support services:				
Pupil.	370,309	398,820	398,767	53
Instructional staff	37,223	40,089	40,089	-
Board of education	41,630	44,835	39,941	4,894
Administration.	817,176	880,093	879,113	980
Fiscal	537,120	624,824	582,899	41,925
Business	5,345	5,756	5,756	-
Operations and maintenance.	1,057,517	1,138,939	1,060,379	78,560
Pupil transportation	355,903	383,305	383,295	10
Central.	1,283	1,382	1,382	-
Other non-instructional services	98,986	106,607	106,607	-
Extracurricular activities.	205,685	221,521	221,381	140
Debt service:				
Principal	600,000	600,000	600,000	-
Interest and fiscal charges.	1,983	1,983	1,983	-
Total expenditures	<u>9,253,743</u>	<u>9,966,223</u>	<u>9,830,629</u>	<u>135,594</u>
Excess of revenues over (under) expenditures.	150,566	(260,923)	(171,325)	89,598
Other financing sources (uses):				
Refund of prior year's expenditures	8,608	8,608	8,608	-
Transfers (out).	(88,374)	(88,374)	(88,374)	-
Advances (out)	(4,371)	(4,371)	(4,371)	-
Proceeds from loan issuance.	300,000	300,000	300,000	-
Total other financing sources (uses)	<u>215,863</u>	<u>215,863</u>	<u>215,863</u>	<u>-</u>
Net change in fund balance	366,429	(45,060)	44,538	89,598
Fund balance (deficit) at beginning of year	(88,929)	(88,929)	(88,929)	-
Prior year encumbrances appropriated	163,667	163,667	163,667	-
Fund balance at end of year	<u>\$ 441,167</u>	<u>\$ 29,678</u>	<u>\$ 119,276</u>	<u>\$ 89,598</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 46,649	\$ 58,484
	<u>46,649</u>	<u>58,484</u>
Liabilities:		
Accounts payable.	\$ -	\$ 135
Due to students.	-	58,349
	<u>-</u>	<u>58,484</u>
Total liabilities	-	\$ 58,484
Net position:		
Held in trust for scholarships	46,649	
	<u>46,649</u>	
Total net position.	\$ 46,649	
	<u>46,649</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 2
Gifts and contributions.	1,186
Total additions.	1,188
 Deductions:	
Scholarships awarded	3,000
Change in net position	(1,812)
Net position at beginning of year.	48,461
Net position at end of year	\$ 46,649

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

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

The District currently operates one elementary school and one comprehensive middle and high school. The District employs 9 administrators, 2 supervisors, 38 non-certified, and 64 certified full-time and part-time employees to provide services to approximately 884 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (the BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 1210 E. Bogart Road, Sandusky, Ohio 44870. The District paid \$26,169 to BACG during fiscal year 2017.

Ohio Schools Council

The Ohio Schools Council (the Council) is a jointly governed organization among 121 districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council, 6393 Oak Tree Blvd., Independence, Ohio 44131. During the year ended June 30, 2017, the District paid \$4,059 to the Ohio Schools Council.

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors is the Governing Board of NOECA and is composed of two superintendents for each of the counties of Erie, Huron, Ottawa, Sandusky, Seneca, and Wood, one superintendent from Crawford County, and the fiscal agent superintendent. Financial information can be obtained by contacting Matt Bauer, who serves as controller, at 1210 E. Bogart Road, Sandusky, Ohio 44870. The District paid \$37,947 to NOECA for various services during fiscal year 2017.

Vanguard Sentinel Career and Technology Centers (the Career Center)

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political

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subdivision and is not considered to be part of the District. Financial information is available from Alan Binger, Treasurer, 1306 Cedar St., Fremont, Ohio 43420.

PUBLIC ENTITY RISK POOLS

Workers' Compensation Group Rating Program

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

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

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

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

Ohio School Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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The following are the District's major governmental funds:

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 14 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements.

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2017 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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2. By no later than January 20, the Board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination. The Sandusky County Commissioners waived this requirement for fiscal year 2017.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2017.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of budgetary control.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
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, 2017; 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 re-appropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2017, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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The District's investment in the State Treasury Asset Reserve of 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 and is recognized as an external investment pool by the District. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, special revenue funds: District managed activity and food service, permanent improvement, debt service fund; and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$4,243, which includes \$3,979 assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition 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.

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

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

I. Interfund Activity

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2017, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, employees 50 years of age or older with at least eight years of experience or any employee with 20 years of experience or more were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 net pension liability 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 capital leases are recognized as a liability on the fund financial statements when due.

L. Fund Balance

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

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

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

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

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

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

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

M. Net Position

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

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

N. Prepayments

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

O. Estimates

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

P. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2017, the balance in the budget stabilization reserve was \$29,274. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

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

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

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On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 11.

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

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

T. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017

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financial statements (see Note 20); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
General	\$ 274,997
<u>Nonmajor Funds</u>	
Food service	37,887
Public school preschool	13,924
Data communication	1,716
Title I	27,297

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be

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held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$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, 2017, the carrying amount of all District deposits was \$1,284,491. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2017, \$1,077,422 of the District’s bank balance of \$1,327,422 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

C. Investments

As of June 30, 2017, the District had the following investments and maturities:

Investment/Measurement type	Measurement Value	Investment Maturity 6 months or less
Amortized cost:		
STAR Ohio	\$ 275,741	\$ 275,741

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the District’s recurring fair value measurement as of June 30, 2017. As previously discussed STAR Ohio is reported at its net asset value.

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

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

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

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, 2017:

Investment/Measurement type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	\$ 275,741	100.00

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2017:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 1,284,491
Investments	275,741
Cash on hand	175
Total	\$ 1,560,407

<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 1,455,274
Private-purpose trust fund	46,649
Agency funds	58,484
Total	\$ 1,560,407

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Transfers

Transfers for the fiscal year ended June 30, 2017, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	\$ 88,374

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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

B. Interfund Loans

Interfund balances at June 30, 2017 as reported on the fund statements, consist of the following amounts for interfund loans receivable/payable.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 4,371</u>

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, 2017 are reported on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Sandusky County and Wood County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$316,998 in the general fund, \$43,115 in the debt service fund, \$5,994 in the permanent improvement fund (a nonmajor governmental fund) and \$4,764 in

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the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$465,390 in the general fund, \$68,327 in the debt service fund, \$9,142 in the permanent improvement fund (a nonmajor governmental fund) and \$7,267 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 111,142,960	94.96	\$ 111,049,030	94.67
Public utility personal	<u>5,899,490</u>	<u>5.04</u>	<u>6,246,610</u>	<u>5.33</u>
Total	<u>\$ 117,042,450</u>	<u>100.00</u>	<u>\$ 117,295,640</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.70		\$49.70	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

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

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

The 0.75% SDIT was passed in November 2013, and collections began January 1, 2014. SDIT revenue received by the general fund during fiscal year 2017 was \$889,981.

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NOTE 8 - RECEIVABLES

Receivables at June 30, 2017 consisted of taxes, accrued interest, and intergovernmental refunds and reimbursements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the stable condition of State programs. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 2,728,276
Income taxes	352,646
Accrued interest	893
Intergovernmental	<u>54,013</u>
Total	<u>\$ 3,135,828</u>

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 759,542	\$ -	\$ -	\$ 759,542
Total capital assets, not being depreciated	<u>759,542</u>	<u>-</u>	<u>-</u>	<u>759,542</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,675,965	-	-	2,675,965
Buildings and improvements	23,947,553	-	-	23,947,553
Furniture and equipment	2,346,282	31,086	(60,263)	2,317,105
Vehicles	592,006	150,756	(93,919)	648,843
Total capital assets, being depreciated	<u>29,561,806</u>	<u>181,842</u>	<u>(154,182)</u>	<u>29,589,466</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,722,950)	(129,523)	-	(1,852,473)
Buildings and improvements	(8,051,704)	(579,500)	-	(8,631,204)
Furniture and equipment	(1,904,337)	(134,170)	60,263	(1,978,244)
Vehicles	(570,905)	(36,089)	93,919	(513,075)
Total accumulated depreciation	<u>(12,249,896)</u>	<u>(879,282)</u>	<u>154,182</u>	<u>(12,974,996)</u>
Governmental activities capital assets, net	<u>\$ 18,071,452</u>	<u>\$ (697,440)</u>	<u>\$ -</u>	<u>\$ 17,374,012</u>

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Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 485,179
Special	24,804
Vocational	16,443
<u>Support services:</u>	
Instructional staff	12,525
Administration	37,141
Operations and maintenance	202,776
Pupil transportation	37,202
Food service operations	53,513
Extracurricular activities	<u>9,699</u>
Total depreciation expense	<u>\$ 879,282</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

Capital assets acquired through the lease agreement have been capitalized in the statement of net position in the amount of \$299,392 which is equal to the present value of the future minimum lease payments as of the date of inception. Accumulated depreciation as of June 30, 2017 was \$190,115, leaving a current book value of \$109,277. Principal payments during fiscal year 2017 totaled \$63,903; this amount is reflected as principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2017:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 67,550
Less amount representing interest	<u>(1,305)</u>
Total	<u>\$ 66,245</u>

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NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2017, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding 6/30/2016	Additions	Reductions	Balance Outstanding 6/30/2017	Amounts Due in One Year
Governmental activities:					
Refunding bonds - Series 2007					
Current interest	\$ 2,150,000	\$ -	\$ -	\$ 2,150,000	\$ -
Capital appreciation	184,995	-	(96,852)	88,143	88,143
Accreted interest	421,631	64,978	(243,148)	243,461	243,461
Total general obligation bonds	<u>2,756,626</u>	<u>64,978</u>	<u>(340,000)</u>	<u>2,481,604</u>	<u>331,604</u>
Net pension liability	14,140,040	3,339,996	-	17,480,036	-
Compensated absences	697,450	104,246	(125,670)	676,026	53,336
Capital lease obligation	130,148	-	(63,903)	66,245	66,245
Total	<u>\$ 17,724,264</u>	<u>\$ 3,509,220</u>	<u>\$ (529,573)</u>	20,703,911	<u>\$ 451,185</u>
Add: Unamortized premium on refunding				<u>118,863</u>	
Total reported on the statement of net position				<u>\$ 20,822,774</u>	

Net Pension Liability: See Note 14 for detail on the net pension liability.

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District is the general fund and the food service fund (a nonmajor governmental fund).

Capital lease - Capital lease payments are made from the general fund. See Note 10 for detail on capital lease obligations outstanding at June 30, 2017.

Series 2007 Refunding General Obligation Bonds: On October 11, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2001 General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the current interest refunding bonds at June 30, 2017, is \$2,150,000.

The original refunding issue was comprised of both current interest bonds, par value \$3,155,000 and capital appreciation bonds par value \$184,995. The interest rates on the current interest bonds range from 3.75% - 4.125%. The capital appreciation bonds mature on December 1, 2016 and December 1, 2017 (effective interest rates 4.05% and 4.13%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2016 and December 1, 2017 is \$355,000. Total accreted interest of \$243,148 has been included in the statement of net position at June 30, 2017.

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.

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

- B.** Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2007			Capital Appreciation Bonds - Series 2007		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ -	\$ 87,126	\$ 87,126	\$ 88,143	\$ 266,857	\$ 355,000
2019	340,000	80,326	420,326	-	-	-
2020	360,000	66,236	426,236	-	-	-
2021	370,000	51,454	421,454	-	-	-
2022	390,000	36,161	426,161	-	-	-
2023 - 2024	690,000	25,937	715,937	-	-	-
Total	<u>\$ 2,150,000</u>	<u>\$ 347,240</u>	<u>\$ 2,497,240</u>	<u>\$ 88,143</u>	<u>\$ 266,857</u>	<u>\$ 355,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$9,627,318 (including available funds of \$1,308,853) and an unvoted debt margin of \$117,296.

NOTE 12 - LOANS PAYABLE

Loan payable activity of the District for the fiscal year ended June 30, 2017, was as follows:

Loan Payable	Interest Rate	Balance			Balance
		June 30, 2016	Additions	Deletions	June 30, 2017
Bank Loans	3.00%	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ (600,000)</u>	<u>\$ -</u>

On June 24, 2016, the District issued a loan with Union Bank in the amount of \$300,000 to provide financing for the District's operations. The maturity date of the loan was September 24, 2016. The District also took out short term loans of \$175,000 on November 28, 2016, and \$125,000 on December 20th, 2016. The principal and interest payments for the loans were made from the general fund. There were no loans outstanding at June 30, 2017.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2017, the District purchased insurance coverage through the Ohio School Plan (see below).

B. Ohio School Plan

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

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

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

The Ohio School Plan's audited financial statements reported the following assets, liabilities, and members' equity at December 31, 2016, 2015 and 2014 (the latest information available):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets	\$ 10,507,059	\$ 9,313,853	\$ 7,974,679
Liabilities	3,853,671	3,956,512	2,780,801
Net Position	6,653,388	5,357,341	5,193,878

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

C. Group Health Insurance

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (Note 2.A.), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$125,000 and aggregate claims in excess of 120 percent of expected claims.

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D. Workers' Compensation Plan

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

E. Pension and Post-Employment Benefits

Employee pension and post-employment health care benefits are provided to plan participants or their beneficiaries through the respective retirement systems discussed in Notes 14 and 15. As such, no direct funding provisions are required by the District.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$170,944 for fiscal year 2017. Of this amount, \$12,590 is reported as pension and postemployment benefits payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$594,023 for fiscal year 2017. Of this amount, \$96,945 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.04024620%	0.04285386%	
Proportion of the net pension liability current measurement date	0.03993490%	0.04348927%	
Change in proportionate share	-0.00031130%	0.00063541%	
Proportionate share of the net pension liability	\$ 2,922,866	\$ 14,557,170	\$ 17,480,036
Pension expense	\$ 359,296	\$ 836,182	\$ 1,195,478

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 39,421	\$ 588,180	\$ 627,601
Net difference between projected and actual earnings on pension plan investments	241,094	1,208,636	1,449,730
Changes of assumptions	195,118	-	195,118
Difference between District contributions and proportionate share of contributions/ change in proportionate share	86,290	127,611	213,901
District contributions subsequent to the measurement date	<u>170,944</u>	<u>594,023</u>	<u>764,967</u>
Total deferred outflows of resources	<u>\$ 732,867</u>	<u>\$ 2,518,450</u>	<u>\$ 3,251,317</u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>10,579</u>	<u>501,614</u>	<u>512,193</u>
Total deferred inflows of resources	<u>\$ 10,579</u>	<u>\$ 501,614</u>	<u>\$ 512,193</u>

\$764,967 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 155,644	\$ 149,188	\$ 304,832
2019	155,470	149,188	304,658
2020	170,926	612,978	783,904
2021	<u>69,303</u>	<u>511,459</u>	<u>580,762</u>
Total	<u>\$ 551,343</u>	<u>\$ 1,422,813</u>	<u>\$ 1,974,156</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,869,693	\$ 2,922,866	\$ 2,130,333

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 19,345,295	\$ 14,557,170	\$ 10,518,103

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$19,485.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$19,485, \$19,226, and \$27,773, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

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B. State Teachers Retirement System

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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:

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Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 44,538
Net adjustment for revenue accruals	(106,765)
Net adjustment for expenditure accruals	834,088
Net adjustment for other sources/uses	(304,237)
Funds budgeted elsewhere	1,128
Adjustment for encumbrances	71
GAAP basis	<u>\$ 468,823</u>

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

NOTE 17 - 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.

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

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NOTE 18 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	165,842
Current year qualifying expenditures	(15,539)
Current year offsets	(115,731)
Prior year offset from bond proceeds	<u>(34,572)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>

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

During fiscal year 2001, the District issued \$5,780,399 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$4,486,944 at June 30, 2017.

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 71
Nonmajor governmental funds	<u>5,610</u>
Total	<u>\$ 5,681</u>

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SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Sandusky County provides tax abatements through Enterprise Zones (Ezone).

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the Agreement) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The Ezone agreement entered into by Sandusky County affects the property tax receipts collected and distributed to the District. There was an Ezone agreement with Flood Properties, LLC. that affected the District. Under the agreement, the District property taxes were reduced by \$13,767.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST FOUR FISCAL YEARS			
	2017	2016	2015	2014
District's proportion of the net pension liability	0.03993490%	0.04024620%	0.03694000%	0.03694000%
District's proportionate share of the net pension liability	\$ 2,922,866	\$ 2,296,487	\$ 1,869,512	\$ 2,196,703
District's covered-employee payroll	\$ 1,265,914	\$ 1,211,624	\$ 1,073,405	\$ 1,041,113
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	230.89%	189.54%	174.17%	211.00%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST FOUR FISCAL YEARS			
	2017	2016	2015	2014
District's proportion of the net pension liability	0.04348927%	0.04285386%	0.04578732%	0.04578732%
District's proportionate share of the net pension liability	\$ 14,557,170	\$ 11,843,553	\$ 11,137,061	\$ 13,266,394
District's covered-employee payroll	\$ 4,427,907	\$ 4,489,857	\$ 4,678,200	\$ 4,832,308
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	328.76%	263.78%	238.06%	274.54%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 170,944	\$ 177,228	\$ 159,692	\$ 148,774	\$ 144,090
Contributions in relation to the contractually required contribution	<u>(170,944)</u>	<u>(177,228)</u>	<u>(159,692)</u>	<u>(148,774)</u>	<u>(144,090)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,221,029	\$ 1,265,914	\$ 1,211,624	\$ 1,073,405	\$ 1,041,113
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 145,647	\$ 133,198	\$ 138,939	\$ 98,825	\$ 96,173
<u>(145,647)</u>	<u>(133,198)</u>	<u>(138,939)</u>	<u>(98,825)</u>	<u>(96,173)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,082,877	\$ 1,059,650	\$ 1,026,137	\$ 1,004,319	\$ 979,358
13.45%	12.57%	13.54%	9.84%	9.82%

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 594,023	\$ 619,907	\$ 628,580	\$ 608,166	\$ 628,200
Contributions in relation to the contractually required contribution	<u>(594,023)</u>	<u>(619,907)</u>	<u>(628,580)</u>	<u>(608,166)</u>	<u>(628,200)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,243,021	\$ 4,427,907	\$ 4,489,857	\$ 4,678,200	\$ 4,832,308
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 633,173	\$ 664,762	\$ 651,721	\$ 630,949	\$ 646,095
<u>(633,173)</u>	<u>(664,762)</u>	<u>(651,721)</u>	<u>(630,949)</u>	<u>(646,095)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,870,562	\$ 5,113,554	\$ 5,013,238	\$ 4,853,454	\$ 4,969,962
13.00%	13.00%	13.00%	13.00%	13.00%

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gibsonburg Exempted Village School District, Sandusky County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 11, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of

noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Entity's Response to Findings

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

April 11, 2018

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Finding for Recovery Resolved Under Audit – Overpayment of Employee

The negotiated agreement between the Gibsonburg Exempted Village School District Board of Education and the Gibsonburg Teachers Association became effective August 25, 2016.

The 2016-2017 Teachers Salary Schedule indicates the position of Masters +15, Step 27 is to be paid an annual salary of \$71,800.19. However, the incorrect salary rate entered into the accounting system for teacher Mary Jo Foos was \$72,753.29 (the rate for a Masters +30, Step 27). This error resulted in an overpayment of \$953 for the 2016-2017 contract period.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against employee Mary Jo Foos, in the amount of \$953, and in favor of Gibsonburg Exempted Village School District's Title I Fund.

On February 26, 2018, the Gibsonburg Exempted Village School District and Mary Jo Foos entered into a Repayment Agreement to withhold equal amounts from 13 consecutive pay checks beginning with the March 2, 2018 pay period; totaling \$953.

We recommend the District review the pay rates for all employees and verify that all payments are made in accordance with the amounts approved in the negotiated agreement. Failure to do so could result in future findings for recovery.

Officials' Response:

During the FY 2017 audit, the auditors asked for documentation for compensation of Mrs. Foos. Her level of compensation was equal to MA + 30, however her actual level of education was MA + 15. Mrs. Foos was given a Salary notice in the spring of 2016 identifying her pay at the Masters level. During the summer of 2016 she completed enough course work to move to the MA + 15 column. After verification of the coursework the Treasurer notified the Payroll Assistant to adjust her pay accordingly, however did not specify an actual dollar amount. During our investigation of this error we ran an Audit Report from USPS and discovered her pay was adjusted three times over the first five paydays; the final adjustment entered incorrectly at the MA + 30 level. After consulting with representatives from the Auditor of State and the district legal counsel a repayment schedule was offered and accepted by Mrs. Foos. The district has review the process for salary adjustments and implemented new procedures to ensure the accuracy of salary obligations.

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Dave Yost • Auditor of State

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2018**