



OHIO AUDITOR OF STATE
KEITH FABER



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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, 2019, and the respective changes in financial position, and where applicable cash flows 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

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 and other post-employment benefit liabilities/asset and pension and other post-employment benefit 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 14, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

April 14, 2020

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

The management's discussion and analysis of Gibsonburg Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- In total, net position of governmental activities increased \$1,473,637 which represents a 53.47% increase from 2018's net position.
- General revenues accounted for \$8,955,465 or 81.22% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,070,935 or 18.78% of total revenues of \$11,026,400.
- The District had \$9,552,763 in expenses related to governmental activities; program specific charges for services, grants and contributions offset \$2,070,935 of these expenses. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,955,465 were adequate to provide for these programs.
- The District's major governmental funds are the General fund and the Debt Service fund. The General fund had \$9,638,161 in revenues and \$9,551,652 in expenditures and other financing uses. The General fund's fund balance increased \$86,509 from a balance of \$357,142 to a balance of \$443,651.
- The District's other major governmental fund is the Debt Service fund. The Debt Service fund had \$287,758 in revenues and \$412,146 in expenditures. The Debt Service fund's fund balance decreased \$124,388 from \$1,214,768 to a balance of \$1,090,380.

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 perform financially during 2019?" 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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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(Continued)

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.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund is to account for a self-insurance program for employee healthcare and prescription drug benefits, although the District is not yet self-insured as of June 30, 2019.

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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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 and net OPEB liability.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

	Net Position	
	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current and other assets	\$ 6,323,679	\$ 5,088,172
Capital assets, net	<u>15,728,884</u>	<u>16,548,308</u>
Total assets	<u>22,052,563</u>	<u>21,636,480</u>
<u>Deferred Outflows of Resources</u>		
Pension	2,786,129	3,491,340
OPEB	<u>130,413</u>	<u>113,742</u>
Total deferred outflows of resources	<u>2,916,542</u>	<u>3,605,082</u>
<u>Liabilities</u>		
Current liabilities	1,067,292	986,569
Long-term liabilities:		
Due within one year	405,274	386,048
Due in more than one year:		
Net pension liability	10,603,457	11,354,606
Net OPEB liability	1,035,643	2,511,746
Other amounts	<u>2,121,994</u>	<u>2,484,371</u>
Total liabilities	<u>15,233,660</u>	<u>17,723,340</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	2,389,950	2,129,047
Deferred gain on refunding	15,421	18,912
Pension	1,801,049	2,042,212
OPEB	<u>1,299,576</u>	<u>572,239</u>
Total deferred inflows of resources	<u>5,505,996</u>	<u>4,762,410</u>
<u>Net Position</u>		
Net investment in capital assets	13,888,407	14,343,478
Restricted	1,331,004	1,464,548
Unrestricted (deficit)	<u>(10,989,962)</u>	<u>(13,052,214)</u>
Total net position	<u>\$ 4,229,449</u>	<u>\$ 2,755,812</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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(Continued)

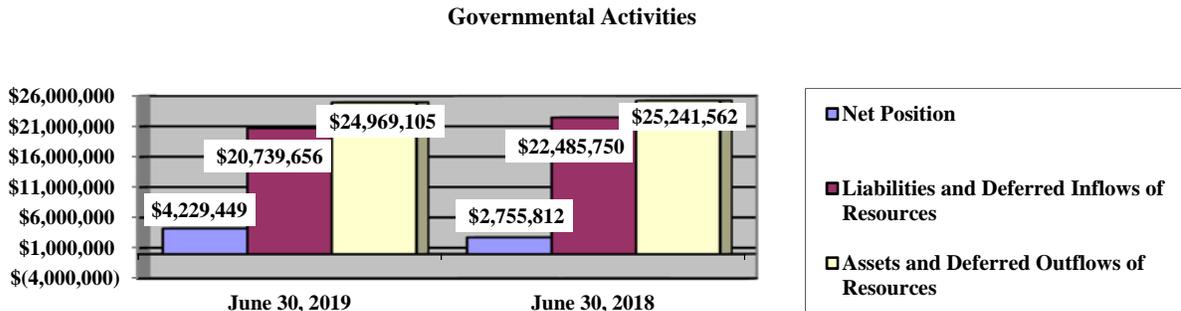
In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,229,449.

At year-end, capital assets represented 71.32% 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, 2019, was \$13,888,407. 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, \$1,331,004 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 \$10,989,962.

The table below shows the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2019 and 2018.



The table below shows changes in net position for governmental activities for fiscal year 2019 compared to fiscal year 2018.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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(Continued)

	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2019</u>	<u>2018</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,107,068	\$ 961,429
Operating grants and contributions	963,867	1,019,833
General revenues:		
Property taxes	2,355,693	2,889,974
School district income taxes	1,005,681	901,507
Grants and entitlements	5,526,704	5,540,687
Investment earnings	13,103	6,622
Other	<u>54,284</u>	<u>6,581</u>
Total revenues	<u>\$ 11,026,400</u>	<u>\$ 11,326,633</u>

- Continued

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

	Change in Net Position (Continued)	
	Governmental Activities	Governmental Activities
	<u>2019</u>	<u>2018</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,086,244	\$ 2,262,563
Special	1,083,732	537,156
Vocational	107,778	61,360
Support services:		
Pupil	267,900	105,011
Instructional staff	30,121	22,006
Board of education	46,148	19,271
Administration	817,568	416,452
Fiscal	802,335	539,670
Business	1,262	5,525
Operations and maintenance	956,397	895,912
Pupil transportation	442,586	279,866
Central	995	135
Operation of non-instructional services:		
Other non-instructional services	225,235	59,774
Food service operations	343,367	305,245
Extracurricular activities	300,215	144,263
Interest and fiscal charges	40,880	120,517
Total expenses	<u>9,552,763</u>	<u>5,774,726</u>
Change in net position	1,473,637	5,551,907
Net position (deficit) at beginning of year	<u>2,755,812</u>	<u>(2,796,095)</u>
Net position at end of year	<u>\$ 4,229,449</u>	<u>\$ 2,755,812</u>

Governmental Activities

Net position of the District's governmental activities increased \$1,473,637. Total governmental expenses of \$9,552,763 were offset by program revenues of \$2,070,935 and general revenues of \$8,955,465. Program revenues supported 21.68% of the total governmental expenses.

Expenses of the governmental activities increased \$3,778,037 or 65.42%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment (COLA) and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the District reported \$518,086 and (\$4,043,099) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported (\$1,357,882) and (\$454,847) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$3,658,150. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

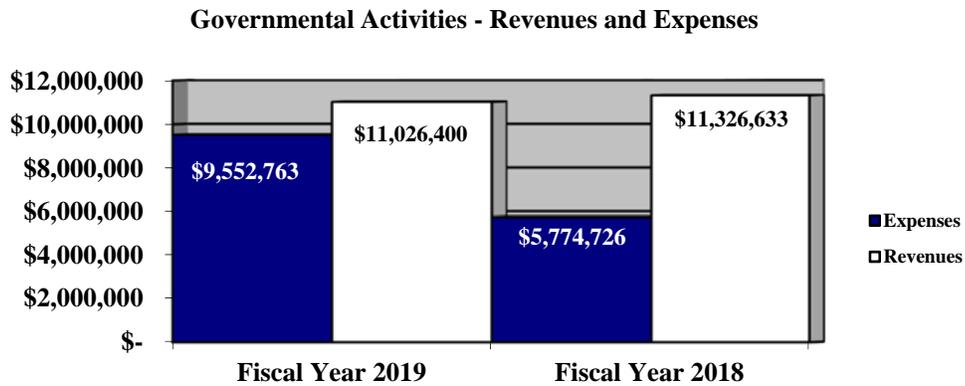
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

Pension and OPEB expense are components of program expenses reported on the statement of activities. The District's total expenses for fiscal year 2019 of \$9,552,763 are comparable to total fiscal year 2017 expenses of \$11,500,709.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 80.61% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,277,754 or 55.25% of total governmental expenses for fiscal year 2019.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2019 and 2018.



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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

Governmental Activities

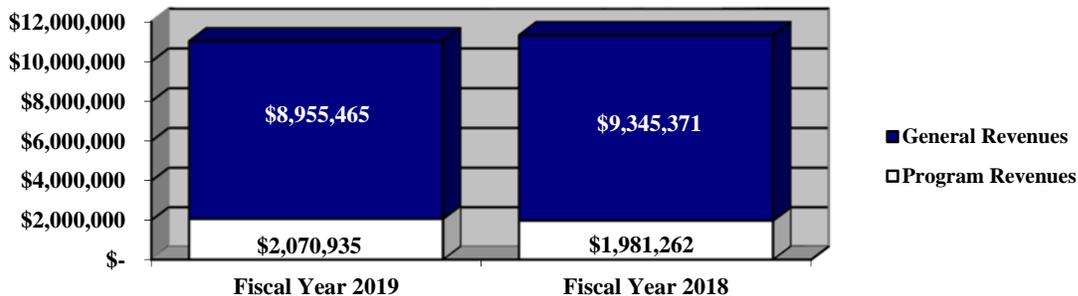
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses:				
Instruction:				
Regular	\$ 4,086,244	\$ 3,206,280	\$ 2,262,563	\$ 1,497,104
Special	1,083,732	456,122	537,156	(123,370)
Vocational	107,778	86,132	61,360	39,714
Support services:				
Pupil	267,900	267,900	105,011	105,011
Instructional staff	30,121	30,121	22,006	22,006
Board of Education	46,148	46,148	19,271	19,271
Administration	817,568	817,568	416,452	416,452
Fiscal	802,335	802,335	539,670	539,670
Business	1,262	1,262	5,525	5,525
Operations and maintenance	956,397	947,086	895,912	892,393
Pupil transportation	442,586	442,586	279,866	279,866
Central	995	995	135	135
Operation of non-instructional services				
Food service operations	343,367	(67,310)	305,245	(114,599)
Other non-instructional services	225,235	205,346	59,774	44,127
Extracurricular activities	300,215	198,377	144,263	49,642
Interest and fiscal charges	40,880	40,880	120,517	120,517
Total expenses	\$ 9,552,763	\$ 7,481,828	\$ 5,774,726	\$ 3,793,464

The dependence upon tax and other general revenues for governmental activities is apparent, as 71.03% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.32%.

The graph below presents the District's governmental activities revenues for fiscal years 2019 and 2018.

Governmental Activities - General and Program Revenues



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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The District's Funds

The District's governmental funds reported a combined fund balance of \$2,062,393, which is greater than last year's total of \$1,714,190. The schedule below indicates the fund balance and the total changes in fund balance as of June 30, 2019, and 2018.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Change	Percentage Change
General fund	\$ 443,651	\$ 357,142	\$ 86,509	24.22 %
Debt service fund	1,090,380	1,214,768	(124,388)	(10.24) %
Nonmajor governmental funds	<u>528,362</u>	<u>142,280</u>	<u>386,082</u>	271.35 %
Total	<u>\$ 2,062,393</u>	<u>\$ 1,714,190</u>	<u>\$ 348,203</u>	20.31 %

General Fund

During fiscal year 2019, the District's General fund revenues decreased 2.97% and expenditures increased 1.05%.

Property and income tax revenue of the General fund decreased 10.97% from fiscal year 2018; this decrease resulted from less advances being available from Sandusky County. Tuition revenue increased by \$115,940 primarily due to increased regular day school and open enrollment tuition and payments from other districts.

The following table summarizes the revenues of the General fund for the fiscal years ended June 30, 2019 and 2018.

	2019 Amount	2018 Amount	Change	Percentage Change
<u>Revenues</u>				
Taxes	\$ 3,044,614	\$ 3,419,593	\$ (374,979)	(10.97) %
Tuition	728,466	612,526	115,940	18.93 %
Earnings on investments	5,304	6,458	(1,154)	(17.87) %
Intergovernmental	5,731,431	5,818,014	(86,583)	(1.49) %
Other revenues	<u>128,346</u>	<u>76,228</u>	<u>52,118</u>	68.37 %
Total	<u>\$ 9,638,161</u>	<u>\$ 9,932,819</u>	<u>\$ (294,658)</u>	(2.97) %

Expenditures increased \$95,832 during fiscal year 2019. Support services expenditures increased 3.01% during fiscal year 2019 due to increased fiscal and administration spending. Non-instructional expenditures increased 94.79% during fiscal year 2019 primarily due to an increase in food service expenditures for severance payments to retirees.

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

	2019 Amount	2018 Amount	Change	Percentage Change
<u>Expenditures</u>				
Instruction	\$ 5,465,898	\$ 5,508,024	\$ (42,126)	(0.76) %
Support services	3,292,751	3,196,502	96,249	3.01 %
Non-instructional services	234,629	120,454	114,175	94.79 %
Extracurricular activities	236,789	241,705	(4,916)	(2.03) %
Debt service	<u>-</u>	<u>67,550</u>	<u>(67,550)</u>	(100.00) %
Total	<u>\$ 9,230,067</u>	<u>\$ 9,134,235</u>	<u>\$ 95,832</u>	1.05 %

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

Debt Service Fund

The Debt Service fund had \$287,758 in revenues and \$412,146 in expenditures during fiscal year 2019. The Debt Service fund's fund balance decreased \$124,388 from \$1,214,768 to a balance of \$1,090,380.

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 2019, the District amended its budget several times. For the General fund, original budgeted revenues and other financing sources were \$9,695,498, and final budgeted revenues and other financing sources were \$9,974,026. The actual budget basis revenues and other financing sources for fiscal year 2019 were \$9,984,599, which was \$10,573 higher than the final budget.

General fund original appropriated expenditures and other financing uses totaled \$9,733,057 and were increased to \$9,829,616 in the final budget. The actual budget basis expenditures and other financing sources for fiscal year 2019 totaled \$9,820,031, which was \$9,585 less than final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$15,728,884 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, 2019 balances compared to June 30, 2018:

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

	Governmental Activities	
	2019	2018
Land	\$ 759,542	\$ 759,542
Land improvements	570,085	694,085
Building and improvements	14,168,206	14,737,189
Furniture and equipment	148,276	244,482
Vehicles	82,775	113,010
Total	\$ 15,728,884	\$ 16,548,308

Total additions to capital assets for 2019 were \$29,760. Depreciation expense for fiscal 2019 was \$820,183. Disposals to capital assets for 2019 were \$29,001 (net of accumulated depreciation). Overall, capital assets of the District decreased \$819,424. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2019, the District had \$1,755,000 in current interest bonds outstanding. Of this amount, \$355,000 is due within one year and \$1,400,000 is due in greater than one year. See Note 10 to the basic financial statements for additional information.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

At June 30, 2019, the District had an overall legal debt margin of \$9,590,630 and an unvoted debt margin of \$113,947.

The table that follows summarizes the bonds and loans outstanding at June 30, 2019 compared to June 30, 2018.

**Outstanding Debt at Year End
Governmental Activities**

	<u>2019</u>	<u>2018</u>
Current interest bonds	<u>\$ 1,755,000</u>	<u>\$ 2,100,000</u>

Current Financial Related Activities

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

The District has a stable financial outlook. The Board of Education and administration closely monitor the District's revenues and expenditures in accordance with its financial forecast. The District has communicated to its community that it relies upon its support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. The support of the community was measured in November 2000 when the voters approved a 3.5 mil levy for new/renovated facilities with the Ohio School Facilities Commission. The District built a new 109,776 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 2018, the District proceeded with the renewal of a five year, 1 mil permanent improvement levy. The levy passed successfully with a 61% 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. In May 2018 voters approved a five year 1% 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 South Sunset Avenue, Gibsonburg, Ohio 43431-1290.

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**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,490,529
Receivables:	
Property taxes	2,751,666
Income taxes.	410,496
Accrued interest	2,086
Intergovernmental	24,809
Prepayments	16,382
Materials and supplies inventory.	1,505
Inventory held for resale.	4,481
Net OPEB asset	621,725
Capital assets:	
Nondepreciable capital assets	759,542
Depreciable capital assets, net.	14,969,342
Capital assets, net	15,728,884
Total assets.	22,052,563
 Deferred outflows of resources:	
Pension	2,786,129
OPEB	130,413
Total deferred outflows of resources	2,916,542
 Liabilities:	
Accounts payable.	16,285
Accrued wages and benefits payable	809,776
Intergovernmental payable	94,140
Pension and post employment benefits payable.	142,671
Accrued interest payable	4,420
Long-term liabilities:	
Due within one year.	405,274
Due in more than one year:	
Net pension liability	10,603,457
Net OPEB liability	1,035,643
Other amounts due in more than one year	2,121,994
Total liabilities	15,233,660
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,389,950
Deferred gain on refunding	15,421
Pension	1,801,049
OPEB	1,299,576
Total deferred inflows of resources	5,505,996
 Net position:	
Net investment in capital assets	13,888,407
Restricted for:	
Capital projects	56,717
Classroom facilities maintenance	157,873
Debt service.	1,094,432
Locally funded programs	2,043
State funded programs.	5,400
Student activities	4,365
Other purposes	10,174
Unrestricted (deficit)	(10,989,962)
Total net position.	\$ 4,229,449

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, 2019

	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	\$ 4,086,244	\$ 789,889	\$ 90,075	\$ (3,206,280)
Special	1,083,732	6,096	621,514	(456,122)
Vocational	107,778	-	21,646	(86,132)
Support services:				
Pupil	267,900	-	-	(267,900)
Instructional staff	30,121	-	-	(30,121)
Board of education	46,148	-	-	(46,148)
Administration	817,568	-	-	(817,568)
Fiscal	802,335	-	-	(802,335)
Business	1,262	-	-	(1,262)
Operations and maintenance	956,397	3,515	5,796	(947,086)
Pupil transportation	442,586	-	-	(442,586)
Central	995	-	-	(995)
Operation of non-instructional services:				
Other non-instructional services	225,235	-	19,889	(205,346)
Food service operations	343,367	213,829	196,848	67,310
Extracurricular activities	300,215	93,739	8,099	(198,377)
Interest and fiscal charges	40,880	-	-	(40,880)
Total governmental activities	\$ 9,552,763	\$ 1,107,068	\$ 963,867	(7,481,828)

General revenues:

Property taxes levied for:	
General purposes	2,049,421
Debt service	235,845
Capital outlay	39,570
Classroom facilities maintenance	30,857
Income taxes levied for:	
General purposes	1,005,681
Grants and entitlements not restricted to specific programs	5,526,704
Investment earnings	13,103
Miscellaneous	54,284
Total general revenues	8,955,465
Change in net position	1,473,637
Net position at beginning of year	2,755,812
Net position at end of year	\$ 4,229,449

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<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	\$ 876,865	\$ 1,061,822	\$ 551,842	\$ 2,490,529
Receivables:				
Property taxes	2,388,474	281,879	81,313	2,751,666
Income taxes	410,496	-	-	410,496
Accrued interest	2,086	-	-	2,086
Intergovernmental	20,809	-	4,000	24,809
Prepayments	16,382	-	-	16,382
Materials and supplies inventory	-	-	1,505	1,505
Inventory held for resale	-	-	4,481	4,481
Total assets	<u>\$ 3,715,112</u>	<u>\$ 1,343,701</u>	<u>\$ 643,141</u>	<u>\$ 5,701,954</u>
Liabilities:				
Accounts payable	\$ 13,735	\$ -	\$ 2,550	\$ 16,285
Accrued wages and benefits payable	782,052	-	27,724	809,776
Intergovernmental payable	93,767	-	373	94,140
Pension and postemployment benefits payable	135,607	-	7,064	142,671
Total liabilities	<u>1,025,161</u>	<u>-</u>	<u>37,711</u>	<u>1,062,872</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	2,074,477	244,849	70,624	2,389,950
Delinquent property tax revenue not available	71,783	8,472	2,444	82,699
Income tax revenue not available	79,231	-	-	79,231
Intergovernmental revenue not available	10,792	-	-	10,792
Miscellaneous revenue not available	10,017	-	4,000	14,017
Total deferred inflows of resources	<u>2,246,300</u>	<u>253,321</u>	<u>77,068</u>	<u>2,576,689</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	1,505	1,505
Prepays	16,382	-	-	16,382
Restricted:				
Debt service	-	1,090,380	-	1,090,380
Capital improvements	-	-	55,346	55,346
Classroom facilities maintenance	-	-	156,800	156,800
Food service operations	-	-	5,537	5,537
Other purposes	-	-	8,878	8,878
Extracurricular activities	-	-	4,365	4,365
Committed:				
Capital improvements	-	-	302,400	302,400
Termination benefits	60,789	-	-	60,789
Assigned:				
Student instruction	10,878	-	-	10,878
Student and staff support	51,285	-	-	51,285
Unassigned (deficit)	304,317	-	(6,469)	297,848
Total fund balances	<u>443,651</u>	<u>1,090,380</u>	<u>528,362</u>	<u>2,062,393</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,715,112</u>	<u>\$ 1,343,701</u>	<u>\$ 643,141</u>	<u>\$ 5,701,954</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, 2019

Total governmental fund balances		\$	2,062,393
<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.			15,728,884
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	82,699	
Income taxes receivable		79,231	
Intergovernmental receivable		10,792	
Miscellaneous receivable		14,017	
Total		186,739	186,739
Unamortized premiums on bonds issued are not recognized in the funds.			(70,056)
Unamortized amounts on refundings are not recognized in the funds.			(15,421)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(4,420)
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		2,786,129	
Deferred inflows of resources - pension		(1,801,049)	
Net pension liability		(10,603,457)	
Total		(9,618,377)	(9,618,377)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		130,413	
Deferred inflows of resources - OPEB		(1,299,576)	
Net OPEB asset		621,725	
Net OPEB liability		(1,035,643)	
Total		(1,583,081)	(1,583,081)
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		(1,755,000)	
Compensated absences		(702,212)	
Total		(2,457,212)	(2,457,212)
Net position of governmental activities		\$	4,229,449

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, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,057,153	\$ 237,577	\$ 70,601	\$ 2,365,331
Income taxes	987,461	-	-	987,461
Tuition	728,466	-	-	728,466
Earnings on investments	5,304	7,799	18	13,121
Charges for services	-	-	217,189	217,189
Extracurricular	7,365	-	93,894	101,259
Classroom materials and fees	60,154	-	-	60,154
Contributions and donations	6,543	-	2,395	8,938
Other local revenues	54,284	-	19,047	73,331
Intergovernmental - state	5,731,431	42,382	121,364	5,895,177
Intergovernmental - federal	-	-	553,374	553,374
Total revenues	<u>9,638,161</u>	<u>287,758</u>	<u>1,077,882</u>	<u>11,003,801</u>
Expenditures:				
Instruction:				
Regular	4,376,722	-	79,176	4,455,898
Special	979,828	-	304,563	1,284,391
Vocational	109,348	-	-	109,348
Support services:				
Pupil	325,939	-	-	325,939
Instructional staff	17,710	-	-	17,710
Board of education	48,539	-	-	48,539
Administration	890,224	-	-	890,224
Fiscal	830,024	6,044	1,709	837,777
Business	1,262	-	-	1,262
Operations and maintenance	815,751	-	48,436	864,187
Pupil transportation	362,307	-	87,582	449,889
Central	995	-	-	995
Operation of non-instructional services:				
Other non-instructional services	234,629	-	20,050	254,679
Food service operations	-	-	355,084	355,084
Extracurricular activities	236,789	-	116,785	353,574
Debt service:				
Principal retirement	-	345,000	-	345,000
Interest and fiscal charges	-	61,102	-	61,102
Total expenditures	<u>9,230,067</u>	<u>412,146</u>	<u>1,013,385</u>	<u>10,655,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>408,094</u>	<u>(124,388)</u>	<u>64,497</u>	<u>348,203</u>
Other financing sources (uses):				
Transfers in	-	-	321,585	321,585
Transfers (out)	(321,585)	-	-	(321,585)
Total other financing sources (uses)	<u>(321,585)</u>	<u>-</u>	<u>321,585</u>	<u>-</u>
Net change in fund balances	86,509	(124,388)	386,082	348,203
Fund balances at beginning of year	357,142	1,214,768	142,280	1,714,190
Fund balances at end of year	\$ 443,651	\$ 1,090,380	\$ 528,362	\$ 2,062,393

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, 2019

Net change in fund balances - total governmental funds \$ 348,203

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	\$	29,760	
Current year depreciation		(820,183)	
Total			(790,423)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (29,001)

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

Property taxes		(9,638)	
Income taxes		18,220	
Intergovernmental		(23,181)	
Miscellaneous		14,017	
Total			(582)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 345,000

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 less interest being reported in the statement of activities:

Decrease in accrued interest payable		869	
Amortization of bond premiums		15,862	
Amortization of deferred gains		3,491	
Total			20,222

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 805,187

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (518,086)

Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 29,280

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities. 1,357,882

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. (44,045)

(Continue)

**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, 2019
(Continued)

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(50,000)

Change in net position of governmental activities

\$ 1,473,637

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, 2019

	<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	\$ 2,665,321	\$ 2,617,885	\$ 2,316,691	\$ (301,194)
Income taxes.	826,976	866,560	903,136	36,576
Tuition.	676,794	709,189	728,466	19,277
Earnings on investments	5,613	5,882	4,439	(1,443)
Other local revenues	22,575	23,656	51,944	28,288
Intergovernmental - state	5,277,929	5,530,564	5,769,389	238,825
Total revenues	<u>9,475,208</u>	<u>9,753,736</u>	<u>9,774,065</u>	<u>20,329</u>
Expenditures:				
Instruction:				
Regular	4,275,451	4,320,523	4,320,111	412
Special.	968,327	978,535	978,535	-
Vocational.	110,932	112,101	112,101	-
Support services:				
Pupil.	331,357	334,850	334,850	-
Instructional staff	18,193	18,385	17,710	675
Board of education	48,621	49,134	49,134	-
Administration.	907,061	916,623	911,503	5,120
Fiscal	812,659	821,226	820,323	903
Business	1,249	1,262	1,262	-
Operations and maintenance.	875,020	884,245	881,770	2,475
Pupil transportation	363,568	367,401	367,401	-
Central.	985	995	995	-
Other non-instructional services	214,672	216,935	216,935	-
Extracurricular activities.	231,315	233,754	233,754	-
Total expenditures	<u>9,159,410</u>	<u>9,255,969</u>	<u>9,246,384</u>	<u>9,585</u>
Excess of revenues over expenditures	<u>315,798</u>	<u>497,767</u>	<u>527,681</u>	<u>29,914</u>
Other financing sources (uses):				
Refund of prior year's expenditures	15,669	15,669	10,534	(5,135)
Transfers in	200,000	200,000	200,000	-
Transfers (out).	(573,647)	(573,647)	(573,647)	-
Advances in.	4,371	4,371	-	(4,371)
Sale of capital assets	250	250	-	(250)
Total other financing sources (uses)	<u>(353,357)</u>	<u>(353,357)</u>	<u>(363,113)</u>	<u>(9,756)</u>
Net change in fund balance	(37,559)	144,410	164,568	20,158
Fund balance at beginning of year	299,874	299,874	299,874	-
Prior year encumbrances appropriated . . .	50,119	50,119	50,119	-
Fund balance at end of year	\$ 312,434	\$ 494,403	\$ 514,561	\$ 20,158

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Operating expenses:	
Other.	\$ 50,000
Change in net position	(50,000)
Net position at beginning of year.	50,000
Net position at end of year	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash payments for other expenses	\$ (50,000)
Net change in cash and cash cash equivalents	(50,000)
Cash and cash equivalents at beginning of year . . .	50,000
Cash and cash equivalents at end of year	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	<u>\$ 45,366</u>	<u>\$ 61,491</u>
Liabilities:		
Due to students.	<u>-</u>	<u>\$ 61,491</u>
Net position:		
Held in trust for scholarships	<u>45,366</u>	
Total net position.	<u>\$ 45,366</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, 2019

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 7
Gifts and contributions	2,259
Total additions	2,266
Deductions:	
Scholarships awarded	2,036
Change in net position	230
Net position at beginning of year	45,136
Net position at end of year	\$ 45,366

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, 2019**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The 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, 41 non-certified, and 65 certified full-time and part-time employees to provide services to approximately 890 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 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).

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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 4918 Milan Road, Sandusky, Ohio 44870. The District paid \$42,073 to BACG during fiscal year 2019.

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 from NOECA, 219 Howard Drive, Sandusky, Ohio 44870. The District paid \$139,829 to NOECA for various services during fiscal year 2019.

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

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Ohio School Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

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

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

PROPRIETARY FUND

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 the following proprietary fund type:

Internal Service fund - The Internal Service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund is to account for a self-insurance program for employee healthcare and prescription drug benefits, although the District is not yet self-insured as of June 30, 2019.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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 activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Proprietary and 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.

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 Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively.

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 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's net pension liability and net OPEB liability/asset, the deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain 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.

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 2019 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination. The Sandusky County Commissioners waived this requirement for fiscal year 2019.
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 2019.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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, 2019; 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, including proprietary 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 2019, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its 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 an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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),

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Debt Service fund, and the Private-Purpose Trust funds. Interest revenue credited to the General fund during fiscal year 2019 amounted to \$5,304, which includes \$2,560 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 accounts 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.

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 <u>Estimated Lives</u>
Land improvements	5 - 30 years
Buildings and improvements	10 - 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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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, 2019, 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, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds; however, claims and judgments, compensated absences and 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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:

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

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

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

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

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

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.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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, 2019, the balance in the budget stabilization reserve was \$396,963. 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.

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

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

R. Pensions/Other Postemployment Benefits (OPEB)

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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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 2019.

T. Fair 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 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 868
Data communication	5,601

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.

C. Compliance

Contrary to Ohio Rev. Code § 5705.10(I), the Food Service fund had negative fund balance at months ending September 30, 2018 and December 31, 2018 in the amounts of \$71,479 and \$58,006, respectively.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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 fair 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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 bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and,
8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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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, or by the financial institution participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$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, 2019, the carrying amount of all District deposits was \$2,159,470 and the bank balance of all District deposits was \$2,250,359. Of the bank balance, \$250,000 was covered by the FDIC and \$2,000,359 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2019, the District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although 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, 2019, the District had the following investments and maturities:

Investment/Measurement type	Measurement Value	Investment Maturity 6 months or less
Amortized cost:		
STAR Ohio	\$ 437,741	\$ 437,741

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

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

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

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, 2019:

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	\$ 437,741	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, 2019:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 2,159,470
Investments	437,741
Cash on hand	175
Total	\$ 2,597,386
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 2,490,529
Private-purpose trust fund	45,366
Agency funds	61,491
Total	\$ 2,597,386

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Transfers

Transfers for the fiscal year ended June 30, 2019, as reported in the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 321,585

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, 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 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$242,214 in the General fund, \$28,558 in the Debt Service fund, \$4,624 in the Permanent Improvement fund (a nonmajor governmental fund) and \$3,621 in the Classroom Facilities Maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$501,752 in the General fund, \$64,388 in the Debt Service fund, \$9,217 in the Permanent Improvement fund (a nonmajor governmental fund) and \$7,296 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, 2019 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.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 111,391,670	94.18	\$ 106,124,230	93.13
Public utility personal	<u>6,883,910</u>	<u>5.82</u>	<u>7,822,990</u>	<u>6.87</u>
Total	<u>\$ 118,275,580</u>	<u>100.00</u>	<u>\$ 113,947,220</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.70		\$49.20	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

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

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. In May 2018, the District passed an SDIT increase to 1.00%. SDIT revenue received by the General fund during fiscal year 2019 was \$987,461.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2019 consisted of property taxes, income 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	\$ 2,751,666
Income taxes	410,496
Accrued interest	2,086
Intergovernmental	<u>24,809</u>
Total	<u>\$ 3,189,057</u>

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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 6/30/18	Additions	Deductions	Balance 6/30/19
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	11,175	-	23,958,728
Furniture and equipment	2,338,613	18,585	(162,798)	2,194,400
Vehicles	648,843	-	-	648,843
Total capital assets, being depreciated	<u>29,610,974</u>	<u>29,760</u>	<u>(162,798)</u>	<u>29,477,936</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,981,880)	(124,000)	-	(2,105,880)
Buildings and improvements	(9,210,364)	(580,158)	-	(9,790,522)
Furniture and equipment	(2,094,131)	(85,790)	133,797	(2,046,124)
Vehicles	(535,833)	(30,235)	-	(566,068)
Total accumulated depreciation	<u>(13,822,208)</u>	<u>(820,183)</u>	<u>133,797</u>	<u>(14,508,594)</u>
Governmental activities capital assets, net	<u>\$ 16,548,308</u>	<u>\$ (790,423)</u>	<u>\$ (29,001)</u>	<u>\$ 15,728,884</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 469,076
Special	24,519
Vocational	16,359
<u>Support services:</u>	
Instructional staff	12,411
Administration	36,475
Operations and maintenance	167,697
Pupil transportation	30,235
Food service operations	52,292
Extracurricular activities	11,119
Total depreciation expense	<u>\$ 820,183</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 2019, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding 6/30/2018	Additions	Reductions	Balance Outstanding 6/30/2019	Amounts Due in One Year
Governmental activities:					
Refunding bonds - Series 2017	\$ 2,100,000	\$ -	\$ (345,000)	\$ 1,755,000	\$ 355,000
Net pension liability	11,354,606	-	(751,149)	10,603,457	-
Net OPEB liability	2,511,746	20,766	(1,496,869)	1,035,643	-
Compensated absences	684,501	165,300	(147,589)	702,212	50,274
Total	<u>\$ 16,650,853</u>	<u>\$ 186,066</u>	<u>\$ (2,740,607)</u>	14,096,312	<u>\$ 405,274</u>
Add: Unamortized premium on refunding				<u>70,056</u>	
Total reported on the statement of net position				<u>\$ 14,166,368</u>	

Net Pension Liability: The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The District's net OPEB liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District is the General fund and the Food Service fund (a nonmajor governmental fund).

Series 2017 Refunding General Obligation Bonds: During fiscal year 2018, the District issued \$2,100,000 in general obligation bonds to refund \$2,150,000 of the Series 2017 Refunding General Obligation School Improvement Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$1,755,000.

The issue is comprised of current interest bonds, par value \$2,100,000. The interest rates on the current interest bonds are 3.170%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The net carrying amount of the old debt exceeded the reacquisition price by \$20,658. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2023. This advance refunding was undertaken to reduce the combined total debt service payments by \$128,634 and resulted in an economic gain of \$121,624.

B. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018, are as follows:

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Fiscal Year Ending June 30,	Current Interest Bonds - Series 2017		
	Principal	Interest	Total
2020	\$ 355,000	\$ 50,007	\$ 405,007
2021	365,000	38,595	403,595
2022	380,000	26,786	406,786
2023	390,000	14,582	404,582
2024	<u>265,000</u>	<u>4,200</u>	<u>269,200</u>
Total	<u>\$ 1,755,000</u>	<u>\$ 134,170</u>	<u>\$ 1,889,170</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, 2019, are a voted debt margin of \$9,590,630 (including available funds of \$1,090,380) and an unvoted debt margin of \$113,947.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2019, 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, 2018, 2017 and 2016 (the latest information available):

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets	\$ 12,764,109	\$ 11,441,994	\$ 10,507,059
Liabilities	4,451,197	4,503,476	3,853,671
Net Position	8,312,912	6,938,518	6,653,388

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 offers employee group medical benefits to eligible staff through consultant Savage and Associates and Paramount Insurance. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the board. The premium varies with employee depending on the terms of the union contract. Dental insurance is offered by the District to all eligible employees through Coresource. Vision insurance is offered to eligible employees through Vision Service Plan (VSP). Regardless of the plan utilized by the employee, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

D. Workers’ Compensation Plan

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

E. Pension and Post-Employment Benefits

Employee pension and post-employment health care benefits are provided to plan participants or their beneficiaries through the respective retirement systems discussed in Notes 12 and 13.

NOTE 12 - 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

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
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(Continued)

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.

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 - The 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	Age 65 with 5 years of services credit; or 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

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Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$172,581 for fiscal year 2019. Of this amount, \$12,265 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.

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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 to 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.

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 fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$632,606 for fiscal year 2019. Of this amount, \$106,384 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, 2018, 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 projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03750550%	0.03836520%	
Proportion of the net pension liability current measurement date	<u>0.03660040%</u>	<u>0.03869101%</u>	
Change in proportionate share	<u>-0.00090510%</u>	<u>0.00032581%</u>	
Proportionate share of the net pension liability	\$ 2,096,173	\$ 8,507,284	\$ 10,603,457
Pension expense	\$ 139,420	\$ 378,666	\$ 518,086

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At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 114,960	\$ 196,379	\$ 311,339
Changes of assumptions	47,335	1,507,652	1,554,987
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	5,267	109,349	114,616
Contributions subsequent to the measurement date	<u>172,581</u>	<u>632,606</u>	<u>805,187</u>
Total deferred outflows of resources	<u>\$ 340,143</u>	<u>\$ 2,445,986</u>	<u>\$ 2,786,129</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 55,558	\$ 55,558
Net difference between projected and actual earnings on pension plan investments	58,079	515,874	573,953
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>101,578</u>	<u>1,069,960</u>	<u>1,171,538</u>
Total deferred inflows of resources	<u>\$ 159,657</u>	<u>\$ 1,641,392</u>	<u>\$ 1,801,049</u>

\$805,187 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, 2020.

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:			
2020	\$ 97,830	\$ 291,082	\$ 388,912
2021	(3,324)	219,217	215,893
2022	(68,789)	(239,332)	(308,121)
2023	<u>(17,812)</u>	<u>(98,979)</u>	<u>(116,791)</u>
Total	<u>\$ 7,905</u>	<u>\$ 171,988</u>	<u>\$ 179,893</u>

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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.

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, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the 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 most recent experience study was completed for the five year period ended June 30, 2015.

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 average 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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%). 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%, 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%), or one percentage point higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 2,952,617	\$ 2,096,173	\$ 1,378,101

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	<u>July 1, 2018</u>
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017
Discounted Rate of Return	7.45%

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For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

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	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 12,423,769	\$ 8,507,284	\$ 5,192,512

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability/asset 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 these estimates 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 OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its

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non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$22,888.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$29,280 for fiscal year 2019. Of this amount, \$23,342 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.03781580%	0.03836520%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03733030%</u>	<u>0.03869101%</u>	
Change in proportionate share	<u>-0.00048550%</u>	<u>0.00032581%</u>	
Proportionate share of the net OPEB liability	\$ 1,035,643	\$ -	\$ 1,035,643
Proportionate share of the net OPEB asset	\$ -	\$ (621,725)	\$ (621,725)
OPEB expense	\$ 27,837	\$ (1,385,719)	\$ (1,357,882)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 16,905	\$ 72,618	\$ 89,523
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	11,610	11,610
Contributions subsequent to the measurement date	<u>29,280</u>	<u>-</u>	<u>29,280</u>
Total deferred outflows of resources	<u>\$ 46,185</u>	<u>\$ 84,228</u>	<u>\$ 130,413</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 36,224	\$ 36,224
Net difference between projected and actual earnings on pension plan investments	1,555	71,026	72,581
Changes of assumptions	93,044	847,150	940,194
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>54,837</u>	<u>195,740</u>	<u>250,577</u>
Total deferred inflows of resources	<u>\$ 149,436</u>	<u>\$ 1,150,140</u>	<u>\$ 1,299,576</u>

\$29,280 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ (61,156)	\$ (195,085)	\$ (256,241)
2021	(48,210)	(195,085)	(243,295)
2022	(7,215)	(195,084)	(202,299)
2023	(6,558)	(178,952)	(185,510)
2024	(6,662)	(173,297)	(179,959)
Thereafter	(2,730)	(128,409)	(131,139)
Total	\$ (132,531)	\$ (1,065,912)	\$ (1,198,443)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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 discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 1,256,672	\$ 1,035,643	\$ 860,630

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 835,574	\$ 1,035,643	\$ 1,300,571

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 532,877	\$ 621,725	\$ 696,398
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 692,183	\$ 621,725	\$ 550,170

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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:

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 164,568
Net adjustment for revenue accruals	(212,306)
Net adjustment for expenditure accruals	(225,238)
Net adjustment for other sources/uses	41,528
Funds budgeted elsewhere	254,779
Adjustment for encumbrances	63,178
GAAP basis	\$ 86,509

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, the Public School Support fund, the Self Insurance fund, and the Termination Benefits fund.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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, the District's ODE adjustments in fiscal year 2020 are a total liability of \$10,209. This amount has not been included in the financial statements.

D. COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	158,933
Current year qualifying expenditures	(16,112)
Current year offsets	(121,533)
Prior year offset from bond proceeds	<u>(21,288)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2020	<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 \$4,429,756 at June 30, 2019.

NOTE 17 - OTHER COMMITMENTS

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 63,178
Nonmajor governmental funds	<u>537</u>
Total	<u>\$ 63,715</u>

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 18 - 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 creation of the director of the Ohio Department of Development. The director 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 \$13,685.

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**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 SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.03660040%	0.03750550%	0.03993490%	0.04024620%
District's proportionate share of the net pension liability	\$ 2,096,173	\$ 2,240,871	\$ 2,922,866	\$ 2,296,487
District's covered payroll	\$ 1,213,644	\$ 1,221,029	\$ 1,265,914	\$ 1,211,624
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.72%	183.52%	230.89%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.03694000%	0.03694000%
\$ 1,869,512	\$ 2,196,703
\$ 1,073,405	\$ 1,041,113
174.17%	211.00%
71.70%	65.52%

**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 SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.03869101%	0.03836520%	0.04348927%	0.04285386%
District's proportionate share of the net pension liability	\$ 8,507,284	\$ 9,113,735	\$ 14,557,170	\$ 11,843,553
District's covered payroll	\$ 4,489,236	\$ 4,243,021	\$ 4,427,907	\$ 4,489,857
District's proportionate share of the net pension liability as a percentage of its covered payroll	189.50%	214.79%	328.76%	263.78%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.04578732%	0.04578732%
\$ 11,137,061	\$ 13,266,394
\$ 4,678,200	\$ 4,832,308
238.06%	274.54%
74.70%	69.30%

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 172,581	\$ 163,842	\$ 170,944	\$ 177,228
Contributions in relation to the contractually required contribution	<u>(172,581)</u>	<u>(163,842)</u>	<u>(170,944)</u>	<u>(177,228)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,278,378	\$ 1,213,644	\$ 1,221,029	\$ 1,265,914
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 159,692	\$ 148,774	\$ 144,090	\$ 145,647	\$ 133,198	\$ 138,939
<u>(159,692)</u>	<u>(148,774)</u>	<u>(144,090)</u>	<u>(145,647)</u>	<u>(133,198)</u>	<u>(138,939)</u>
<u>\$ -</u>					
\$ 1,211,624	\$ 1,073,405	\$ 1,041,113	\$ 1,082,877	\$ 1,059,650	\$ 1,026,137
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 632,606	\$ 628,493	\$ 594,023	\$ 619,907
Contributions in relation to the contractually required contribution	<u>(632,606)</u>	<u>(628,493)</u>	<u>(594,023)</u>	<u>(619,907)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,518,614	\$ 4,489,236	\$ 4,243,021	\$ 4,427,907
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
\$ 628,580	\$ 608,166	\$ 628,200	\$ 633,173	\$ 664,762	\$ 651,721
<u>(628,580)</u>	<u>(608,166)</u>	<u>(628,200)</u>	<u>(633,173)</u>	<u>(664,762)</u>	<u>(651,721)</u>
<u>\$ -</u>					
\$ 4,489,857	\$ 4,678,200	\$ 4,832,308	\$ 4,870,562	\$ 5,113,554	\$ 5,013,238
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.03733030%	0.03781580%	0.04020848%
District's proportionate share of the net OPEB liability	\$ 1,035,643	\$ 1,014,877	\$ 1,146,090
District's covered payroll	\$ 1,213,644	\$ 1,221,029	\$ 1,265,914
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	85.33%	83.12%	90.53%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 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.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.03869101%	0.03836520%	0.04348927%
District's proportionate share of the net OPEB liability/(asset)	\$ (621,725)	\$ 1,496,869	\$ 2,325,817
District's covered payroll	\$ 4,489,236	\$ 4,243,021	\$ 4,421,479
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.85%	35.28%	52.60%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.33%

Note: Information prior to 2017 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.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 29,280	\$ 27,333	\$ 19,484	\$ 19,226
Contributions in relation to the contractually required contribution	<u>(29,280)</u>	<u>(27,333)</u>	<u>(19,484)</u>	<u>(19,226)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,278,378	\$ 1,213,644	\$ 1,221,029	\$ 1,265,914
Contributions as a percentage of covered payroll	2.29%	2.25%	1.60%	1.52%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 27,773	\$ 19,299	\$ 18,279	\$ 28,355	\$ 32,477	\$ 27,198
<u>(27,773)</u>	<u>(19,299)</u>	<u>(18,279)</u>	<u>(28,355)</u>	<u>(32,477)</u>	<u>(27,198)</u>
<u>\$ -</u>					
\$ 1,211,624	\$ 1,073,405	\$ 1,041,113	\$ 1,082,877	\$ 1,059,650	\$ 1,026,137
2.29%	1.80%	1.76%	2.62%	3.06%	2.65%

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,518,614	\$ 4,489,236	\$ 4,243,021	\$ 4,427,907
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
\$ -	\$ 47,697	\$ 48,323	\$ 48,706	\$ 51,136	\$ 50,132
-	(47,697)	(48,323)	(48,706)	(51,136)	(50,132)
<u>\$ -</u>					
\$ 4,489,857	\$ 4,678,200	\$ 4,832,308	\$ 4,870,562	\$ 5,113,554	\$ 5,013,238
0.00%	1.02%	1.00%	1.00%	1.00%	1.00%

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

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, (g) mortality among disabled members 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 and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

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. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) 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 the following: 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, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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**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, 2019, 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 14, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 and 2019-002.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Keith Faber
Auditor of State

Columbus, Ohio

April 14, 2020

**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Noncompliance

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The Food Service fund had deficit fund balances as noted below:

	<u>Deficit Amount</u>
September 30, 2018	\$ 71,479
December 31, 2018	58,006

Additional deficit balances were noted in smaller relative amounts.

This noncompliance was due to inadequate internal policies and control procedures over the monitoring of fund balances. Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls, such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The District should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Officials' Response:

The District Treasurer monitors and reports to the Board monthly all negative fund balances. The Board appropriates and budgets General Fund resources to cover all negative fund balances. All corrective measures have been put in place and the district is in full compliance.

FINDING NUMBER 2019-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.13(A) provides that the taxing authority of a subdivision, by resolution or ordinance, may establish reserve balance accounts to accumulate currently available resources for the following purposes:

- (1) To stabilize subdivision budgets against cyclical changes in revenues and expenditures;
- (2) Except as otherwise provided by this section, to provide for the payment of claims and deductibles under an individual or joint self-insurance program for the subdivision, if the subdivision is permitted by law to establish such a program;
- (3) To provide for the payment of claims, assessments, and deductibles under a self-insurance program, individual retrospective ratings plan, group rating plan, group retrospective rating

plan, medical only program, deductible plan, or large deductible plan for workers' compensation.

The ordinance or resolution establishing a reserve balance account shall state the purpose for which the account is established, the fund in which the account is to be established, and the total amount of money to be reserved in the account.

Not more than one reserve balance account may be established for each of the purposes permitted under divisions (A)(2) and (3) of this section. Money to the credit of a reserve balance account may be expended only for the purpose for which the account was established.

A reserve balance account established for the purpose described in division (A)(2) or (3) of this section shall be established in the general fund of the subdivision or by the establishment of a separate internal service fund established to account for the operation of an individual or joint self-insurance program described in division (A)(2) of this section or a workers' compensation program or plan described in division (A)(3) of this section, and shall be based on sound actuarial principles. The total amount of money in a reserve balance account for self-insurance may be expressed in dollars or as the amount determined to represent an adequate reserve according to sound actuarial principles.

Due to inadequate internal policies and control procedures, Resolution 19-103 established fund 024 – Employee Benefits/Insurance, an internal service fund, under Ohio Rev. Code § 5705.12; for the purpose of paying health insurance premiums and to hold reserve funds. This does not follow the purpose of an internal service fund and should have been established under Ohio Rev. Code § 5705.13(A) rather than Ohio Rev. Code § 5705.12.

The District created this Internal Service fund during fiscal year 2018 with the intention of becoming self-insured. However, prior to the District's annual report being filed in the HINKLE system, audit procedures identified the District is not self-insured as of June 30, 2019. Because the District's draft report had not yet been filed, the District's GAAP compiler corrected this error prior to compiling the District's financial statements for fiscal year 2019. Internal Service fund activity for 2019, which included \$983,453 in charges for services revenues and \$848,677 in expenditures, was combined with the General fund for reporting purposes. The excess of \$134,776 was allocated to each function based on the percentage of General fund health insurance charges for fiscal year 2019. However, the beginning balance for the Internal Service fund of \$50,000 was not eliminated prior to the District filing its annual report in the HINKLE system. The accompanying financial statements have been adjusted to allocate this balance to each function based on the same percentage of General fund health insurance charges noted above. This fund will be reported as a separate Internal Service fund once the District becomes self-insured.

Although not self-insured, Resolution 20-47 dated February 17, 2020 and retroactively approved effective May 23, 2019 amended the above Resolution 19-103 as: fund 024 - Employee Benefits/Insurance fund under ORC 9.883 and 5705.13; for the purpose of accounting for monies received from other funds as payment for providing medical, hospitalization, life, dental, vision, or any other similar employee benefits.

The District should review Ohio Rev. Code § 5705.13(A) and Auditor of State Bulletins 2001-005 and 2011-008 to establish the appropriate Internal Service fund once they become self-insured. Additionally, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and Board, to identify and correct errors and omissions.

Officials' Response:

The Board established an 024 Fund to account for claims paid related to a self-insured healthcare plan. The Board was responsible to pay claims in fiscal year 2019 after terminating participation in the SAN-OTT consortium. All corrective measures have been put in place and the district is now in full compliance.

Gibsonburg Exempted Village School District

301 South Sunset Avenue

Gibsonburg, Ohio 43431

Mr. Tim Murray
Superintendent

Phone: 419-637-2479



John M. Kahmann
Treasurer

Fax: 419-637-3029

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material weakness due to errors over financial reporting.	Partially corrected. Repeated in the management letter.	These errors were the result of inadequate policies and procedures in reviewing the financial statements. The District acknowledges there were errors and will correctly post these items in the future.

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OHIO AUDITOR OF STATE KEITH FABER



**GIBSONBURG EXEMPTED VILLAGE SCHOOL DISTRICT
SANDUSKY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 30, 2020**