



OHIO AUDITOR OF STATE  
**KEITH FABER**





**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY  
JUNE 30, 2019**

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JUNE 30, 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Gallipolis City School District  
Gallia County  
61 State Street  
Gallipolis, Ohio 45631

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 the Gallipolis City School District, Gallia 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 the Gallipolis City School District, Gallia County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-employment Benefit Liabilities 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.

*Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 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

January 28, 2020

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**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

The discussion and analysis of the Gallipolis City 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 2019 are as follows:

- During fiscal year 2019, net position of governmental activities increased \$5,510,868 which represents a 24.70% increase from fiscal year 2018 net position.
- General revenues accounted for \$18,872,897 in revenue or 70.34% of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$7,957,614 or 29.66% of total revenues of \$26,830,511.
- The District had \$21,319,643 in expenses related to governmental activities; \$7,957,614 of these expenditures were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,872,897 were adequate to provide for these programs.
- The District had two major governmental funds during fiscal year 2019, the general fund and the debt service fund. The general fund had \$20,205,757 in revenues and other financing sources and \$18,131,325 in expenditures and other financing uses. The general fund also had an increase in nonspendable inventory of \$11,628. During fiscal year 2019, the general fund's fund balance increased \$2,086,060 from a deficit balance of \$58,955 to a fund balance of \$2,027,105.
- The debt service fund had \$2,239,018 in revenues and other financing sources and \$1,796,209 in expenditures. During fiscal year 2019, the debt service fund's fund balance increased \$442,809 from \$2,687,120 to \$3,129,929.

**Using the 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 nonmajor funds presented in total in one column. In the case of the District, the general fund and the debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

**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 we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This 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.

The District's Statement of Net Position and Statement of Activities can be found on pages 17-18 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 14. 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. All other governmental funds are considered nonmajor.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. 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. These notes to the basic financial statements can be found on pages 26-68 of this report.

***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 required supplementary information can be found on pages 70-85 of this report.

**The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

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**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

**Net Position**

	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current and other assets	\$ 17,087,258	\$ 13,537,681
Capital assets, net	<u>62,517,214</u>	<u>64,388,334</u>
Total assets	<u>79,604,472</u>	<u>77,926,015</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	1,636,697	1,750,225
Pension	5,216,679	6,965,795
OPEB	<u>234,618</u>	<u>230,572</u>
Total deferred outflows of resources	<u>7,087,994</u>	<u>8,946,592</u>
Total assets and deferred outflows	<u>86,692,466</u>	<u>86,872,607</u>
<u>Liabilities</u>		
Current liabilities	1,672,659	1,904,238
Long-term liabilities:		
Due within one year	1,363,197	1,460,922
Due in more than one year:		
Net pension liability	20,844,857	23,597,044
Net OPEB liability	2,090,388	5,318,478
Other amounts	<u>20,231,179</u>	<u>21,273,993</u>
Total liabilities	<u>46,202,280</u>	<u>53,554,675</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	6,314,563	6,838,448
Pension	3,653,485	3,168,879
OPEB	<u>2,698,526</u>	<u>997,861</u>
Total deferred inflows of resources	<u>12,666,574</u>	<u>11,005,188</u>
Total liabilities and deferred inflows	<u>58,868,854</u>	<u>64,559,863</u>
<u>Net Position</u>		
Net investment in capital assets	45,037,630	45,684,461
Restricted	3,882,879	3,108,117
Unrestricted (deficit)	<u>(21,096,897)</u>	<u>(26,479,834)</u>
Total net position	<u>\$ 27,823,612</u>	<u>\$ 22,312,744</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District has adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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/asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

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/asset. 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/asset 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.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

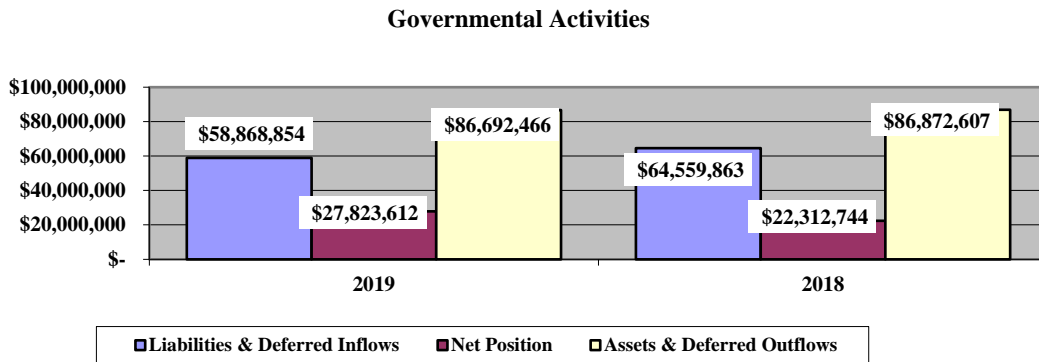
In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability/asset, respectively, not accounted 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 \$27,823,612.

At fiscal year-end, capital assets represented 78.53% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment and furniture and vehicles. Total net investment in capital assets at June 30, 2019 was \$45,037,630. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,882,879, 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 \$21,096,897.

The graph below illustrates the District's total assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2019 and 2018.



The table below shows the change in net position for fiscal year 2019 and 2018.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

	<b>Change in Net Position</b>	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,364,446	\$ 2,110,631
Operating grants and contributions	5,473,043	4,220,422
Capital grants and contributions	120,125	565,425
General revenues:		
Property taxes	7,260,896	6,875,830
Grants and entitlements	11,305,753	11,511,240
Investment earnings	33,148	17,463
Gain on sale of assets	85,762	-
Miscellaneous	187,338	331,713
Total revenues	<u>26,830,511</u>	<u>25,632,724</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,063,961	\$ 5,490,524
Special	3,592,332	1,619,744
Vocational	83,511	46,594
Other	15,034	12,667
Support services:		
Pupil	955,836	593,314
Instructional staff	767,226	347,668
Board of education	38,591	40,335
Administration	1,704,823	1,146,508
Fiscal	532,446	501,895
Operations and maintenance	2,170,703	2,240,119
Pupil transportation	1,210,296	890,737
Central	70,403	173,334
Operation of non-instructional services:		
Food service operations	715,758	496,682
Other non-instructional services	7,989	1,061
Extracurricular activities	489,747	274,228
Interest and fiscal charges	900,987	851,565
Total expenses	<u>21,319,643</u>	<u>14,726,975</u>
Change in net position	5,510,868	10,905,749
Net position at beginning of year	<u>22,312,744</u>	<u>11,406,995</u>
Net position at end of year	<u>\$ 27,823,612</u>	<u>\$ 22,312,744</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

**Governmental Activities**

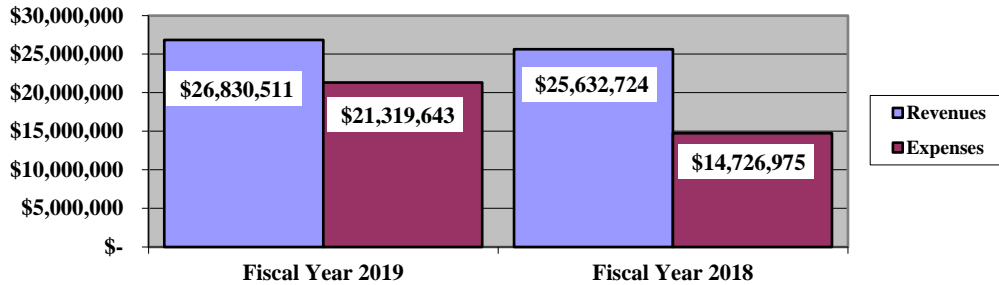
Net position of the District’s governmental activities increased \$5,510,868 primarily due to a decrease in net pension and net OPEB liabilities and an increase in net OPEB asset. Total governmental expenses of \$21,319,643 were offset by program revenues of \$7,957,614 and general revenues of \$18,872,897. Program revenues supported 37.33% of the total governmental expenses.

Expenses of the governmental activities increased \$6,592,668 or 44.77%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. The expenses of the governmental activities are comparable to fiscal year 2017 expenses before the STRS and SERS COLA adjustments.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 69.20% of total governmental revenue. Real estate property is reappraised every six years.

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

**Governmental Activities - Revenues and Expenses**



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



**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

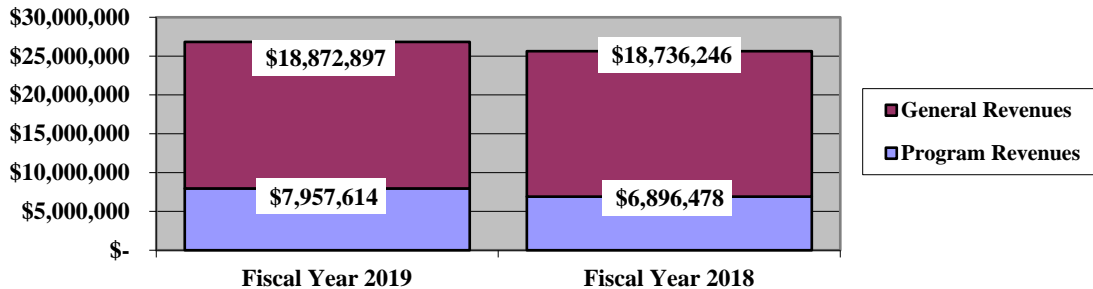
**Governmental Activities**

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,063,961	\$ 6,094,378	\$ 5,490,524	\$ 3,659,520
Special	3,592,332	201,865	1,619,744	(1,233,401)
Vocational	83,511	67,003	46,594	30,086
Other	15,034	15,034	12,667	12,667
Support services:				
Pupil	955,836	945,763	593,314	546,993
Instructional staff	767,226	216,417	347,668	52,572
Board of education	38,591	38,591	40,335	40,267
Administration	1,704,823	1,375,089	1,146,508	1,054,702
Fiscal	532,446	499,244	501,895	488,012
Operations and maintenance	2,170,703	2,001,032	2,240,119	2,238,207
Pupil transportation	1,210,296	853,048	890,737	154,043
Central	70,403	60,983	173,334	143,560
Operations of non-instructional services:				
Other non-instructional services	7,989	(154)	1,061	(38)
Food service operations	715,758	(209,934)	496,682	(302,034)
Extracurricular activities	489,747	302,683	274,228	93,776
Interest and fiscal charges	900,987	900,987	851,565	851,565
<b>Total expenses</b>	<b>\$ 21,319,643</b>	<b>\$ 13,362,029</b>	<b>\$ 14,726,975</b>	<b>\$ 7,830,497</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 54.26% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 62.67%. The District's taxpayers and State unrestricted grants are by far the primary support for District students.

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

**Governmental Activities - General and Program Revenues**



**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$6,937,199, which is higher than last year's total of \$3,985,193. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance <u>June 30, 2019</u>	Fund Balance (deficit) <u>June 30, 2018</u>	<u>Increase</u>
General	\$ 2,027,105	\$ (58,955)	\$ 2,086,060
Debt service	3,129,929	2,687,120	442,809
Other governmental	<u>1,780,165</u>	<u>1,357,028</u>	<u>423,137</u>
Total	<u>\$ 6,937,199</u>	<u>\$ 3,985,193</u>	<u>\$ 2,952,006</u>

**General Fund**

The District's general fund's fund balance increased \$2,086,060.

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

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,197,117	\$ 4,797,201	\$ 399,916	8.34
Transportation fees	245,894	138,308	107,586	77.79
Tuition	1,727,416	1,628,740	98,676	6.06
Earnings on investments	32,844	17,302	15,542	89.83
Intergovernmental	12,742,154	12,718,572	23,582	0.19
Other revenues	<u>258,659</u>	<u>392,556</u>	<u>(133,897)</u>	<u>(34.11)</u>
Total	<u>\$ 20,204,084</u>	<u>\$ 19,692,679</u>	<u>\$ 511,405</u>	<u>2.60</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 10,964,455	\$ 11,557,100	\$ (592,645)	(5.13)
Support services	6,625,526	6,873,203	(247,677)	(3.60)
Operation of non-instructional services	84	115	(31)	(26.96)
Extracurricular activities	316,507	318,966	(2,459)	(0.77)
Facilities acquisition and construction	-	630	(630)	(100.00)
Debt service	<u>45,028</u>	<u>45,119</u>	<u>(91)</u>	<u>(0.20)</u>
Total	<u>\$ 17,951,600</u>	<u>\$ 18,795,133</u>	<u>\$ (843,533)</u>	<u>(4.49)</u>

The District's general fund revenues increased \$511,405 or 2.60% in fiscal year 2019. Transportation fees increased \$107,586 or 77.79% primarily due to an increase in transportation and mileage reimbursements in the current fiscal year. Tax revenue increased \$399,916 or 8.34% due to an increase in real estate taxes received in the current year from the Gallia County Auditor. All other revenues remained comparable to the prior fiscal year.

The District's general fund expenditures decreased \$843,533 or 4.49% in fiscal year 2019. Instructional service expenditures decreased \$592,645 or 5.13% primarily due to a decrease in regular and special instruction in the current fiscal year. Support services decreased \$247,677 or 3.60% primarily due to a decrease in instructional staff and administration expenditures in the current fiscal year. All other expenditures remained comparable to the prior fiscal year.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

***Debt Service Fund***

The debt service fund had \$2,239,018 in revenues and other financing sources and \$1,796,209 in expenditures. During fiscal year 2019, the debt service fund's fund balance increased \$442,809 from \$2,687,120 to \$3,129,929.

***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.

For the general fund, final budgeted revenues and other financing sources were \$20,156,648, which was \$686,093 greater than the original budgeted revenues and other financing sources of \$19,470,555. Actual revenues and other financing sources of \$20,156,648 remained the same as final budgeted revenues and other financing sources for fiscal year 2019.

General fund final appropriations (appropriated expenditures and other financing uses) were \$18,934,867, which was \$1,279,938 less than the original budgeted expenditures and other financing uses of \$20,214,805. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$18,934,865, which was \$2 less than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2019, the District had \$62,517,214 invested in land, construction in progress, land improvements, buildings and improvements, equipment and furniture, vehicles and construction in progress. This entire amount is reported in governmental activities.

The following table shows the net capital asset balances at June 30, 2019 and June 30, 2018:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 1,205,750	\$ 1,205,750
Construction in progress	17,186	-
Land improvements	1,066,061	1,145,035
Building and improvements	58,174,521	59,888,498
Equipment and furniture	1,588,141	1,808,168
Vehicles	<u>465,555</u>	<u>340,883</u>
<b>Total</b>	<b><u>\$ 62,517,214</u></b>	<b><u>\$ 64,388,334</u></b>

The overall decrease in capital assets of \$1,871,120 is due to depreciation expense of \$2,105,180 and net disposals of \$213,903 exceeding capital outlays of \$447,963 in fiscal year 2019.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

***Debt Administration***

At June 30, 2019, the District had \$1,736,598 in energy conservation bonds, \$16,722,994 in refunding bonds outstanding, \$92,657 in lease purchase agreements and \$26,285 in capital lease obligations. Of this total, \$1,250,607 is due within one year and \$17,327,927 is due in greater than one year. The table on the following page summarizes the bonds and capital lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2019	Governmental Activities 2018
Energy conservation bonds	\$ 1,736,598	\$ 1,861,403
Lease purchase agreement	92,657	135,806
Refunding bonds	16,722,994	17,397,072
Capital Lease	26,285	69,604
<b>Total</b>	<b>\$ 18,578,534</b>	<b>\$ 19,463,885</b>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

***Current Financial Related Activities***

The District strives to maintain the highest standards of service to its students, parents and community. The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves and to minimize the levy millage amounts needed from the community's citizens. The District has communicated to its community that they rely upon their support for part of its operations, and will continue to work diligently to plan expenses, staying carefully within the five-year financial plan.

In order to offset increasing utility costs, the district implemented a House Bill 264 project focusing on replacing lighting, commissioning HVAC units and adding solar panels to three buildings. The Board of Education and Administration continues to look for creative and strategic methods to increase our cash balance. During the 2018-19 school year, the District expanded preschool programs by adding Head Start programs to their elementary buildings along with offering more pay preschool openings.

The negotiated agreement between the Board of Education and the Gallipolis Education Association expired August 31, 2018. The negotiated agreement between the Board of Education and the Gallipolis Ohio Association of Public School Employees Local 349 was approved July 1, 2019 through June 30, 2022.

***Contacting the District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Bethany Lewis, Treasurer of Gallipolis City School District, 61 State Street, Gallipolis OH 45631.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 7,667,092
Receivables:	
Taxes . . . . .	7,452,867
Accounts. . . . .	7,211
Intergovernmental. . . . .	454,469
Prepayments. . . . .	169,123
Materials and supplies inventory . . . . .	78,253
Inventory held for resale . . . . .	45,082
Net OPEB asset . . . . .	1,213,161
Capital assets:	
Nondepreciable capital assets. . . . .	1,222,936
Depreciable capital assets, net . . . . .	61,294,278
Capital assets, net. . . . .	62,517,214
Total assets . . . . .	79,604,472
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	1,636,697
Pension . . . . .	5,216,679
OPEB . . . . .	234,618
Total deferred outflows of resources . . . . .	7,087,994
<b>Liabilities:</b>	
Accounts payable. . . . .	161,651
Accrued wages and benefits payable . . . . .	1,159,563
Intergovernmental payable . . . . .	68,898
Pension and postemployment benefits payable .	252,068
Accrued interest payable . . . . .	30,479
Long-term liabilities:	
Due within one year. . . . .	1,363,197
Due in more than one year:	
Net pension liability. . . . .	20,844,857
Net OPEB liability. . . . .	2,090,388
Other amounts due in more than one year .	20,231,179
Total liabilities . . . . .	46,202,280
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . .	6,314,563
Pension . . . . .	3,653,485
OPEB . . . . .	2,698,526
Total deferred inflows of resources. . . . .	12,666,574
<b>Net position:</b>	
Net investment in capital assets . . . . .	45,037,630
Restricted for:	
Capital projects . . . . .	1,303,515
Classroom facilities maintenance . . . . .	20,012
Debt service . . . . .	1,896,210
State funded programs. . . . .	62,684
Federally funded programs . . . . .	172,675
Student activities . . . . .	27,465
Food service operations . . . . .	400,318
Unrestricted (deficit) . . . . .	(21,096,897)
Total net position. . . . .	\$ 27,823,612

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 8,063,961	\$ 1,526,917	\$ 442,666	\$ -	\$ (6,094,378)
Special . . . . .	3,592,332	234,024	3,156,443	-	(201,865)
Vocational . . . . .	83,511	-	16,508	-	(67,003)
Other . . . . .	15,034	-	-	-	(15,034)
Support services:					
Pupil . . . . .	955,836	-	10,073	-	(945,763)
Instructional staff . . . . .	767,226	457	550,352	-	(216,417)
Board of education . . . . .	38,591	-	-	-	(38,591)
Administration . . . . .	1,704,823	-	329,734	-	(1,375,089)
Fiscal . . . . .	532,446	-	33,202	-	(499,244)
Operations and maintenance . . . . .	2,170,703	-	49,546	120,125	(2,001,032)
Pupil transportation . . . . .	1,210,296	245,894	111,354	-	(853,048)
Central . . . . .	70,403	-	9,420	-	(60,983)
Operation of non-instructional services:					
Other non-instructional services . . . . .	7,989	-	8,143	-	154
Food service operations . . . . .	715,758	174,692	751,000	-	209,934
Extracurricular activities . . . . .	489,747	182,462	4,602	-	(302,683)
Interest and fiscal charges . . . . .	900,987	-	-	-	(900,987)
<b>Total governmental activities . . . . .</b>	<b>\$ 21,319,643</b>	<b>\$ 2,364,446</b>	<b>\$ 5,473,043</b>	<b>\$ 120,125</b>	<b>(13,362,029)</b>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					5,155,413
Special revenue . . . . .					57,788
Debt service . . . . .					1,809,893
Capital projects . . . . .					237,802
Grants and entitlements not restricted					
to specific programs . . . . .					11,305,753
Investment earnings . . . . .					33,148
Gain on sale of asset . . . . .					85,762
Miscellaneous . . . . .					187,338
<b>Total general revenues . . . . .</b>					<b>18,872,897</b>
Change in net position . . . . .					5,510,868
<b>Net position at beginning of year . . . . .</b>					<b>22,312,744</b>
<b>Net position at end of year . . . . .</b>					<b>\$ 27,823,612</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,810,430	\$ 3,010,519	\$ 1,846,143	\$ 7,667,092
Receivables:				
Property taxes . . . . .	5,172,791	1,858,691	421,385	7,452,867
Accounts . . . . .	7,148	-	63	7,211
Intergovernmental . . . . .	48,565	-	405,904	454,469
Prepayments . . . . .	108,565	-	60,558	169,123
Materials and supplies inventory . . . . .	74,291	-	3,962	78,253
Inventory held for resale . . . . .	-	-	45,082	45,082
Due from other funds . . . . .	93,811	-	-	93,811
Total assets . . . . .	<u>\$ 8,315,601</u>	<u>\$ 4,869,210</u>	<u>\$ 2,783,097</u>	<u>\$ 15,967,908</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 141,812	\$ -	\$ 19,839	\$ 161,651
Accrued wages and benefits payable . . . . .	991,947	-	167,616	1,159,563
Compensated absences payable . . . . .	33,821	-	-	33,821
Intergovernmental payable . . . . .	66,826	-	2,072	68,898
Pension and postemployment benefits payable . . . . .	213,236	-	38,832	252,068
Due to other funds . . . . .	-	-	93,811	93,811
Total liabilities . . . . .	<u>1,447,642</u>	<u>-</u>	<u>322,170</u>	<u>1,769,812</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	4,377,677	1,572,852	364,034	6,314,563
Delinquent property tax revenue not available . . . . .	463,177	166,429	37,731	667,337
Intergovernmental revenue not available . . . . .	-	-	278,997	278,997
Total deferred inflows of resources . . . . .	<u>4,840,854</u>	<u>1,739,281</u>	<u>680,762</u>	<u>7,260,897</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	74,291	-	3,962	78,253
Prepays . . . . .	108,565	-	60,558	169,123
Restricted:				
Debt service . . . . .	-	3,129,929	-	3,129,929
Capital improvements . . . . .	-	-	1,276,207	1,276,207
Classroom facilities maintenance . . . . .	-	-	9,589	9,589
Food service operations . . . . .	-	-	410,572	410,572
Non-public schools . . . . .	-	-	43,544	43,544
Special education . . . . .	-	-	2,459	2,459
Other purposes . . . . .	-	-	15,288	15,288
Extracurricular activities . . . . .	-	-	27,460	27,460
Committed:				
Capital improvements . . . . .	-	-	70,475	70,475
Student and staff support . . . . .	207,582	-	-	207,582
Termination benefits . . . . .	307,999	-	-	307,999
Student instruction . . . . .	56,348	-	-	56,348
Assigned:				
Student instruction . . . . .	40,217	-	-	40,217
Student and staff support . . . . .	57,439	-	-	57,439
Extracurricular activities . . . . .	44	-	-	44
Subsequent year's appropriations . . . . .	724,756	-	-	724,756
Uniform school supplies . . . . .	24,747	-	-	24,747
Public school support . . . . .	59,192	-	-	59,192
Unassigned (deficit) . . . . .	365,925	-	(139,949)	225,976
Total fund balances . . . . .	<u>2,027,105</u>	<u>3,129,929</u>	<u>1,780,165</u>	<u>6,937,199</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,315,601</u>	<u>\$ 4,869,210</u>	<u>\$ 2,783,097</u>	<u>\$ 15,967,908</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019

<b>Total governmental fund balances</b>		\$	6,937,199
<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.			62,517,214
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	667,337	
Intergovernmental receivable		278,997	
Total		946,334	946,334
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		5,216,679	
Deferred Inflows - Pension		(3,653,485)	
Net pension liability		(20,844,857)	
Total		(19,281,663)	(19,281,663)
The net OPEB liability/asset is not due and payable in the current period; therefor, the liability, asset and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		234,618	
Deferred inflows of resources - OPEB		(2,698,526)	
Net OPEB asset		1,213,161	
Net OPEB liability		(2,090,388)	
Total		(3,341,135)	(3,341,135)
Unamortized premiums on bonds issued are not recognized in the funds.			(2,000,073)
Unamortized amounts on refundings are not recognized in the funds.			1,636,697
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(30,479)
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		(18,459,592)	
Capital lease obligations		(118,942)	
Compensated absences		(981,948)	
Total		(19,560,482)	(19,560,482)
<b>Net position of governmental activities</b>		\$	27,823,612

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 5,197,117	\$ 1,820,229	\$ 298,820	\$ 7,316,166
Tuition . . . . .	1,727,416	-	-	1,727,416
Transportation fees . . . . .	245,894	-	-	245,894
Earnings on investments . . . . .	32,844	-	652	33,496
Charges for services . . . . .	-	-	174,615	174,615
Extracurricular . . . . .	457	-	179,933	180,390
Classroom materials and fees . . . . .	33,525	-	-	33,525
Contributions and donations . . . . .	56,484	-	31,727	88,211
Contract services . . . . .	27,489	-	77	27,566
Other local revenues . . . . .	140,704	-	4,994	145,698
Intergovernmental - intermediate . . . . .	4,350	-	-	4,350
Intergovernmental - state . . . . .	12,611,991	239,064	414,645	13,265,700
Intergovernmental - federal . . . . .	125,813	-	3,107,088	3,232,901
Total revenues . . . . .	<u>20,204,084</u>	<u>2,059,293</u>	<u>4,212,551</u>	<u>26,475,928</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,283,812	-	411,246	8,695,058
Special . . . . .	2,575,178	-	1,369,847	3,945,025
Vocational . . . . .	90,431	-	-	90,431
Other . . . . .	15,034	-	-	15,034
Support services:				
Pupil . . . . .	1,005,326	-	10,678	1,016,004
Instructional staff . . . . .	339,046	-	472,448	811,494
Board of education . . . . .	38,566	-	-	38,566
Administration . . . . .	1,435,118	-	328,988	1,764,106
Fiscal . . . . .	438,649	54,706	40,188	533,543
Operations and maintenance . . . . .	2,042,828	-	261,761	2,304,589
Pupil transportation . . . . .	1,262,816	-	187,276	1,450,092
Central . . . . .	63,177	-	9,024	72,201
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	84	-	7,905	7,989
Food service operations . . . . .	-	-	761,210	761,210
Extracurricular activities . . . . .	316,507	-	192,768	509,275
Debt service:				
Principal retirement . . . . .	42,575	1,132,987	43,893	1,219,455
Interest and fiscal charges . . . . .	2,453	456,698	6,609	465,760
Accretion on capital appreciation bond . . . . .	-	151,818	-	151,818
Total expenditures . . . . .	<u>17,951,600</u>	<u>1,796,209</u>	<u>4,103,841</u>	<u>23,851,650</u>
Excess of revenues over expenditures . . . . .	<u>2,252,484</u>	<u>263,084</u>	<u>108,710</u>	<u>2,624,278</u>
<b>Other financing sources (uses):</b>				
Sale of assets . . . . .	-	-	299,665	299,665
Transfers in . . . . .	1,673	179,725	-	181,398
Transfers (out) . . . . .	(179,725)	-	(1,673)	(181,398)
Total other financing sources (uses) . . . . .	<u>(178,052)</u>	<u>179,725</u>	<u>297,992</u>	<u>299,665</u>
Net change in fund balances . . . . .	2,074,432	442,809	406,702	2,923,943
<b>Fund balances (deficit) at beginning of year . . . . .</b>	(58,955)	2,687,120	1,357,028	3,985,193
<b>Increase in reserve for inventory . . . . .</b>	11,628	-	16,435	28,063
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,027,105</u>	<u>\$ 3,129,929</u>	<u>\$ 1,780,165</u>	<u>\$ 6,937,199</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Net change in fund balances - total governmental funds</b>	\$	2,923,943
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 447,963	
Current year depreciation	(2,105,180)	
Total		(1,657,217)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(213,903)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		28,063
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(55,270)	
Intergovernmental	215,701	
Total		160,431
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	1,119,805	
Capital appreciation bonds	13,182	
Accreted interest on capital appreciation bonds	151,818	
Capital leases	86,468	
Total		1,371,273
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,492,613
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(974,148)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		58,796
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.		
		2,685,836
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	2,712	
Accreted interest on capital appreciation bonds	(485,922)	
Amortization of bond premiums	161,511	
Amortization of deferred charges	(113,528)	
Total		(435,227)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		70,408
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>5,510,868</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,914,841	\$ 5,090,514	\$ 5,090,514	\$ -
Tuition . . . . .	1,667,803	1,727,416	1,727,416	-
Transportation fees . . . . .	238,609	247,138	247,138	-
Earnings on investments . . . . .	31,711	32,844	32,844	-
Classroom materials and fees . . . . .	2,844	2,946	2,946	-
Contributions and donations . . . . .	28,330	29,343	29,343	-
Contract services . . . . .	26,233	27,171	27,171	-
Other local revenues . . . . .	110,545	114,496	114,496	-
Intergovernmental - intermediate . . . . .	4,200	4,350	4,350	-
Intergovernmental - state . . . . .	12,169,804	12,604,795	12,604,795	-
<b>Total revenues . . . . .</b>	<b>19,194,920</b>	<b>19,881,013</b>	<b>19,881,013</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	9,107,803	8,519,940	8,519,938	2
Special . . . . .	2,822,443	2,640,267	2,640,267	-
Vocational . . . . .	97,608	91,308	91,308	-
Other . . . . .	37,162	34,763	34,763	-
Support services:				
Pupil . . . . .	1,085,438	1,015,378	1,015,378	-
Instructional staff . . . . .	359,573	336,364	336,364	-
Board of education . . . . .	41,567	38,884	38,884	-
Administration . . . . .	1,526,215	1,427,705	1,427,705	-
Fiscal . . . . .	500,912	468,580	468,580	-
Operations and maintenance . . . . .	2,272,704	2,126,011	2,126,011	-
Pupil transportation . . . . .	1,567,612	1,466,430	1,466,430	-
Central . . . . .	68,534	64,110	64,110	-
Extracurricular activities . . . . .	342,509	320,402	320,402	-
<b>Total expenditures . . . . .</b>	<b>19,830,080</b>	<b>18,550,142</b>	<b>18,550,140</b>	<b>2</b>
Excess (deficiency) of expenditures over (under) revenues . . . . .	(635,160)	1,330,871	1,330,873	2
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	260,101	260,101	260,101	-
Transfers in . . . . .	549	549	549	-
Transfers (out) . . . . .	(384,725)	(384,725)	(384,725)	-
Sale of capital assets . . . . .	14,985	14,985	14,985	-
<b>Total other financing sources (uses) . . . . .</b>	<b>(109,090)</b>	<b>(109,090)</b>	<b>(109,090)</b>	<b>-</b>
Net change in fund balance . . . . .	(744,250)	1,221,781	1,221,783	2
<b>Unencumbered fund balance at beginning of year . . . . .</b>	<b>543,707</b>	<b>543,707</b>	<b>543,707</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>214,794</b>	<b>214,794</b>	<b>214,794</b>	<b>-</b>
<b>Unencumbered fund balance at end of year . . . . .</b>	<b>\$ 14,251</b>	<b>\$ 1,980,282</b>	<b>\$ 1,980,284</b>	<b>\$ 2</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents. . . . .	\$ 13,953	\$ 33,867
Total assets . . . . .	<u>13,953</u>	<u>33,867</u>
<b>Liabilities:</b>		
Due to students. . . . .	\$ -	\$ 33,867
Total liabilities . . . . .	<u>-</u>	<u>33,867</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	<u>13,953</u>	
Total net position. . . . .	<u>\$ 13,953</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 74
Gifts and contributions . . . . .	3,000
Total additions . . . . .	3,074
 <b>Deductions:</b>	
Scholarships awarded . . . . .	2,000
Change in net position . . . . .	1,074
<b>Net position at beginning of year . . . . .</b>	<b>12,879</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 13,953</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

The Gallipolis City School District (the “District”) is located on the Ohio River in east-central Gallia County. The District includes all of the City of Gallipolis and portions of surrounding townships.

The District is organized under Sections 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 District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 463<sup>th</sup> largest by enrollment among the 610 public school districts and community schools in the State. It currently operates 3 elementary schools, 1 middle school and 1 high school. The District employs 135 certified and 90 classified full-time and part-time employees to provide services to approximately 2,114 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).

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School District (JVSD) is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The JVSD accepts non-tuition students from the District as a member school of the JVSD; however, it is considered a separate political subdivision and is not considered to be part of the District. Financial information for the JVSD can be obtained by contacting the Treasurer, Gallia-Jackson-Vinton Joint Vocational School District, 351 Buckeye Hills Rd., P.O. Box 157, Rio Grande, Ohio 45674-157.

Gallia-Vinton Educational Service Center

Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating school districts. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Educational Service Center is not dependent on the District's continued participation and no equity interest exists. To obtain financial information write to the Gallia-Vinton Educational Service Center, Lily Blevins, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11 for further information on this group rating plan.

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

**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. The District does not have proprietary funds.



**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

*GOVERNMENTAL FUNDS*

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

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 of 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.

*FIDUCIARY FUNDS*

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

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

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

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows 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 and deferred outflows and current liabilities and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private-purpose trust fund is reported using the economic resources management focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

Revenues - Exchange and 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, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

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

*Deferred 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, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 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, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**E. Budgets**

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

1. On July 25, 2002, the Gallia County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenue and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.
2. 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 of estimated resources 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 amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2019.
3. 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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
4. All funds, other than agency funds, are legally required to be budgeted and appropriated.
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. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation 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 during fiscal year 2019. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. During fiscal year 2019, the District had no investments. All monies of the pool were maintained in depository accounts with financial institutions.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$32,844, which includes \$22,395 assigned from other District 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 deposits and investments at fiscal year end is provided in Note 4.

**G. Inventory**

On government-wide 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 government wide financial statements and the purchase method on the fund financial statements. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis and is expensed when purchased.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable 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 generally 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 maintained a capitalization threshold of \$1,500 during fiscal year 2019. 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.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Balances**

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

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for 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, all employees age 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 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, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

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

**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, net pension/OPEB liability, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due. 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:

*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.

*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.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

**M. Net Position**

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

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

**N. Prepayments**

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

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**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. Interfund Activity**

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



**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**Q. 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.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2019, the District had neither transaction.

**S. Issuance Costs/Unamortized Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, bond issuance costs are expensed in the year they occur.

Bond premiums are deferred and 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.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

**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.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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; however, certain debt disclosures in Note 10 have been modified to conform to the new requirement.

**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	\$ 13,974
IDEA Part-B	54,732
Title I, disadvantaged children	27,464
Improving teacher quality	11,982

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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;

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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;
5. No-load money market mutual funds consisting exclusively of obligations described 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, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all District deposits was \$7,714,912 and the bank balance of all District deposits was \$8,075,025. Of the bank balance, \$7,825,025 was exposed to custodial risk as discussed below because those deposits were uninsured and collateralized and \$250,000 was covered by the FDIC.

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

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

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 did not participate in 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.

**B. Investments**

The District had no investments at June 30, 2019.

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and cash equivalents as reported on the statement of net position as of June 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	<u>\$ 7,714,912</u>
<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 7,667,092
Private-purpose trust fund	13,953
Agency fund	<u>33,867</u>
Total	<u>\$ 7,714,912</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported on the fund statements:

<u>Transfers to general fund from:</u>		<u>Amount</u>
Nonmajor governmental fund		\$ 1,673
<u>Tranfers to bond retirement fund from:</u>		
General fund		<u>179,725</u>
Total		<u>\$ 181,398</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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 account for in other funds in accordance with budgetary authorizations. The transfer from the miscellaneous state grants fund (a nonmajor governmental fund) to the general fund was to close out a safety program.

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

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

- B.** Due from/to other funds consisted of the following at June 30, 2019, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor Governmental Funds	\$ 93,811

The balance resulted from a negative cash balance in the public school preschool fund (a nonmajor governmental fund), the IDEA Part-B fund (a nonmajor governmental fund), Title I, disadvantaged children fund (a nonmajor governmental fund), IDEA preschool grant for the handicapped fund (a nonmajor governmental fund), Improving teacher quality (a nonmajor governmental fund), and the miscellaneous federal grants fund (a nonmajor governmental fund) at fiscal year end. The balances 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 fair 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.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The District receives property taxes from Gallia County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$331,937 in the general fund, \$119,410 in the debt service fund and \$19,620 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$225,334 in the general fund, \$78,892 in the debt service fund, \$13,197 in the permanent improvement fund (a nonmajor governmental fund) and \$5,084 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.

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	\$ 256,588,100	95.39	\$ 258,655,180	95.10
Public utility personal	<u>12,395,340</u>	<u>4.61</u>	<u>13,341,090</u>	<u>4.90</u>
Total	<u>\$ 268,983,440</u>	<u>100.00</u>	<u>\$ 271,996,270</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$31.00		\$31.00	
Bond retirement	7.20		7.20	
Permanent improvements	1.50		1.50	

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2019 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 7,452,867
Accounts	7,211
Intergovernmental	<u>454,469</u>
Total	<u>\$ 7,914,547</u>

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

**NOTE 8 - CAPITAL ASSETS**

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

<b><u>Governmental activities:</u></b>	<u>Balance</u>			<u>Balance</u>
	<u>06/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/19</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,205,750	\$ -	\$ -	\$ 1,205,750
Construction in progress	<u>-</u>	<u>17,186</u>	<u>-</u>	<u>17,186</u>
<i>Total capital assets, not being depreciated</i>	<u>1,205,750</u>	<u>17,186</u>	<u>-</u>	<u>1,222,936</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,578,536	29,557	-	2,608,093
Buildings and improvements	73,380,203	108,190	(227,370)	73,261,023
Equipment and furniture	4,170,508	77,831	-	4,248,339
Vehicles	<u>2,018,701</u>	<u>215,199</u>	<u>(24,500)</u>	<u>2,209,400</u>
<i>Total capital assets, being depreciated</i>	<u>82,147,948</u>	<u>430,777</u>	<u>(251,870)</u>	<u>82,326,855</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,433,501)	(108,531)	-	(1,542,032)
Buildings and improvements	(13,491,705)	(1,608,264)	13,467	(15,086,502)
Equipment and furniture	(2,362,340)	(297,858)	-	(2,660,198)
Vehicles	<u>(1,677,818)</u>	<u>(90,527)</u>	<u>24,500</u>	<u>(1,743,845)</u>
<i>Total accumulated depreciation</i>	<u>(18,965,364)</u>	<u>(2,105,180)</u>	<u>37,967</u>	<u>(21,032,577)</u>
Total capital assets, net	<u>\$ 64,388,334</u>	<u>\$ (1,657,217)</u>	<u>\$ (213,903)</u>	<u>\$ 62,517,214</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 997,199
Special	601,408
Vocational	12,695
<u>Support services:</u>	
Pupil	130,602
Instructional staff	48,180
Administration	135,123
Pupil transportation	90,527
<u>Operation of non-instructional services:</u>	
Food service operations	54,354
Extracurricular activities	<u>35,092</u>
Total depreciation expense	<u>\$ 2,105,180</u>

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

- A. In prior years, the District entered into capitalized lease for copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$201,623, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2019 was \$181,463, leaving a current book value of \$20,160. A corresponding liability was recorded in the statement of net position. During fiscal year 2019, the District made principal payments of \$43,319, paid by the general fund and the food service fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreement and the present value of the future minimum lease payments as of June 30, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 26,725
Total	26,725
Less: amount representing interest	<u>(440)</u>
Present value of minimum lease payments	<u>\$ 26,285</u>



**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)**

- B.** In prior years, the District entered into a lease purchase agreement in the amount of \$226,680 with Lease Finance Group (the “Lessor”), a division of Signature Bank for chromebooks. Lease payments are due on February 15 of each year. The interest rate on the lease purchase agreement is 4.80%. The final lease payment stated in the issue is February 15, 2021. The chromebooks have not been capitalized due to each item being under the capitalization threshold. The lease payments will be paid from the permanent improvement fund (a nonmajor governmental fund) and the data communication fund (a nonmajor governmental fund). At June 30, 2019, \$92,657 in principal was outstanding on the lease purchase agreement.

The lease purchase agreement is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. The lease purchase agreement provides that in the event of default, the Lessor with or without terminating the lease, may declare all rent payments due or to become due during the fiscal year in effect when the default occurs to be immediately due and payable by the District.

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the future minimum lease payments as of June 30, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 49,715
2021	<u>49,715</u>
Total	99,430
Less: amount representing interest	<u>(6,773)</u>
Present value of minimum lease payments	<u>\$ 92,657</u>

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**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

<u>Governmental activities:</u>	Balance <u>6/30/18</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/19</u>	Amounts Due <u>In One Year</u>
Refunding bonds, series 2016					
Current interest bonds	\$ 870,000	\$ -	\$ (770,000)	\$ 100,000	\$ 100,000
Refunding bonds, series 2013					
Current interest bonds	15,300,000	-	(225,000)	15,075,000	-
Capital appreciation bonds	191,507	-	(13,182)	178,325	134,660
Accreted interest	1,035,565	485,922	(151,818)	1,369,669	815,849
Energy conservation bonds, series 2016	1,861,403	-	(124,805)	1,736,598	128,578
Capital lease	69,604	-	(43,319)	26,285	26,285
Lease purchase agreement from direct borrowing	135,806	-	(43,149)	92,657	45,235
Net pension liability	23,597,044	-	(2,752,187)	20,844,857	-
Net OPEB liability	5,318,478	-	(3,228,090)	2,090,388	-
Compensated absences	<u>1,109,446</u>	<u>78,769</u>	<u>(172,446)</u>	<u>1,015,769</u>	<u>112,590</u>
Total	<u>\$ 49,488,853</u>	<u>\$ 564,691</u>	<u>\$ (7,523,996)</u>	42,529,548	<u>\$ 1,363,197</u>
Unamortized premium				<u>2,000,073</u>	
Total on statement of net position				<u>\$ 44,529,621</u>	

Compensated absences - Compensated absences will be paid out of the fund from which the employee's salary is paid, which is primarily the general fund for the District.

Net pension liability - See Note 12 for details.

Net OPEB liability - See Note 13 for details.

**B. Refunding Bonds, Series 2013**

On December 27, 2012, the District issued general obligation refunding bonds (Series 2013, refunding bonds). These bonds refunded the \$17,090,000 callable portion of the Series 2006 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The source of payment is derived from a current 7.2 mil bonded debt tax levy.

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

This issue is comprised of current interest bonds, principal outstanding \$15,075,000 at June 30, 2019, and capital appreciation bonds, principal outstanding \$178,325 at June 30, 2019. The remaining capital appreciation bonds mature December 1, 2019, 2020 and 2028 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the outstanding capital appreciation bonds is \$3,100,000. Total accreted interest of \$1,369,669 has been included on the statement of net position at June 30, 2019.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year at interest rates ranging from 1-3.25 percent. The final maturity stated in the issue is December 1, 2032.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,374,629. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**C. Refunding Bonds, Series 2016**

On April 14, 2016, the District issued general obligation refunding bonds (Series 2016, refunding bonds). These bonds refunded the remaining portion of the original \$17,090,000 Series 2006 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The source of payment is derived from a current 7.2 mil bonded debt tax levy.

This issue is comprised of current interest bonds, principal outstanding \$100,000 at June 30, 2019. The interest rate on the current interest bond is 3.86%.

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, 2019.

The reacquisition price exceeded the net carrying amount of the old debt by \$162. This amount was expensed during fiscal year 2016 instead of being amortized over the remaining life of the refunded debt. This refunding was undertaken to reduce total debt service payments over the next four years by \$73,906 and resulted in a net present value savings of \$71,182.

**D. Energy Conservation Bonds**

On July 29, 2016, the District issued \$2,081,953 in general obligation bonds for the purpose of providing energy conservation measures for the District, under authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for a fifteen-year period with final maturity during fiscal year 2031. The bonds bear an interest rate of 3.00 percent. The bonds are being retired from the debt service fund.

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

The following is a summary of the future debt service requirements to maturity for the refunding bonds:

Fiscal Year Year Ended	Series 2013 Current Interest Bonds			Series 2013 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
	2020	\$ -	\$ 380,806	\$ 380,806	\$ 134,660	\$ 975,340
2021	200,000	378,806	578,806	34,731	985,269	1,020,000
2022	1,225,000	364,556	1,589,556	-	-	-
2023	1,255,000	339,756	1,594,756	-	-	-
2024	1,280,000	314,406	1,594,406	-	-	-
2025 - 2029	5,835,000	1,153,141	6,988,141	8,934	961,066	970,000
2030 - 2033	5,280,000	313,950	5,593,950	-	-	-
<b>Total</b>	<b>\$ 15,075,000</b>	<b>\$ 3,245,421</b>	<b>\$ 18,320,421</b>	<b>\$ 178,325</b>	<b>\$ 2,921,675</b>	<b>\$ 3,100,000</b>

Fiscal Year Year Ended	Series 2016 Current Interest Bonds			Energy Conservation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
	2020	\$ 100,000	\$ 1,930	\$ 101,930	\$ 128,578	\$ 51,148
2021	-	-	-	132,464	47,262	179,726
2022	-	-	-	136,468	43,258	179,726
2023	-	-	-	140,593	39,134	179,727
2024	-	-	-	144,843	34,885	179,728
2025 - 2029	-	-	-	792,595	106,052	898,647
2030 - 2031	-	-	-	261,057	7,870	268,927
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 1,930</b>	<b>\$ 101,930</b>	<b>\$ 1,736,598</b>	<b>\$ 329,609</b>	<b>\$ 2,066,207</b>

**E. Legal Debt Margins**

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 margins 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 calculations 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.

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

In accordance with the above calculations, as of June 30, 2019, the District has a legal voted debt margin of \$12,256,268, the legal unvoted debt margin was \$271,996, and the legal energy conservation debt margin was \$711,368.

**NOTE 11 - RISK MANAGEMENT**

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 general liability insurance through the Schools of Ohio Risk Sharing Authority (SORSA), which carried a \$15 million per occurrence and \$17 million annual aggregate limitation.

Fleet and property/casualty insurance are also purchased through SORSA and traditionally funded, as are all benefit plans offered to employees. Total property limit is \$83,567,820 and total liability limit is \$15,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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

*OSBA WORKERS' COMPENSATION GROUP RATING PROGRAM*

For fiscal year 2019, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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](http://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.

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

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.

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 \$343,418 for fiscal year 2019. Of this amount, \$18,205 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, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

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

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.

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 \$1,149,195 for fiscal year 2019. Of this amount, \$187,112 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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	0.08308540%	0.07843699%	
Proportion of the net pension liability current measurement date	<u>0.07411580%</u>	<u>0.07549706%</u>	
Change in proportionate share	<u>-0.00896960%</u>	<u>-0.00293993%</u>	
Proportionate share of the net pension liability	\$ 4,244,749	\$ 16,600,108	\$ 20,844,857
Pension expense	\$ 11,576	\$ 962,572	\$ 974,148

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>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 232,799	\$ 383,185	\$ 615,984
Changes of assumptions	95,855	2,941,853	3,037,708
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	2,716	67,658	70,374
Contributions subsequent to the measurement date	<u>343,418</u>	<u>1,149,195</u>	<u>1,492,613</u>
Total deferred outflows of resources	<u>\$ 674,788</u>	<u>\$ 4,541,891</u>	<u>\$ 5,216,679</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 108,409	\$ 108,409
Net difference between projected and actual earnings on pension plan investments	117,609	1,006,614	1,124,223
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>523,072</u>	<u>1,897,781</u>	<u>2,420,853</u>
Total deferred inflows of resources	<u>\$ 640,681</u>	<u>\$ 3,012,804</u>	<u>\$ 3,653,485</u>

\$1,492,613 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	\$ (14,919)	\$ 791,666	\$ 776,747
2021	(119,021)	257,517	138,496
2022	(139,300)	(338,599)	(477,899)
2023	(36,071)	(330,692)	(366,763)
Total	<u>\$ (309,311)</u>	<u>\$ 379,892</u>	<u>\$ 70,581</u>

***Actuarial Assumptions - SERS***

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

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)

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 5,979,049	\$ 4,244,749	\$ 2,790,655

**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:

	July 1, 2018
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

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 %	

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\*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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 24,242,273	\$ 16,600,108	\$ 10,132,053

**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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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 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](http://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.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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 \$46,077.

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 \$58,796 for fiscal year 2019. Of this amount, \$46,751 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](http://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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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.08414220%	0.07843699%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.07534910%</u>	<u>0.07549706%</u>	
Change in proportionate share	<u>-0.00879310%</u>	<u>-0.00293993%</u>	
Proportionate share of the net OPEB liability	\$ 2,090,388	\$ -	\$ 2,090,388
Proportionate share of the net OPEB asset	\$ -	\$ (1,213,161)	\$ (1,213,161)
OPEB expense	\$ 4,293	\$ (2,690,129)	\$ (2,685,836)

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>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 34,123	\$ 141,699	\$ 175,822
Contributions subsequent to the measurement date	<u>58,796</u>	<u>-</u>	<u>58,796</u>
Total deferred outflows of resources	<u>\$ 92,919</u>	<u>\$ 141,699</u>	<u>\$ 234,618</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 70,683	\$ 70,683
Net difference between projected and actual earnings on pension plan investments	3,136	138,592	141,728
Changes of assumptions	187,804	1,653,027	1,840,831
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>333,773</u>	<u>311,511</u>	<u>645,284</u>
Total deferred inflows of resources	<u>\$ 524,713</u>	<u>\$ 2,173,813</u>	<u>\$ 2,698,526</u>



**GALLIPOLIS CITY SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

\$58,796 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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	\$ (175,332)	\$ (366,864)	\$ (542,196)
2021	(145,410)	(366,864)	(512,274)
2022	(50,664)	(366,862)	(417,526)
2023	(49,329)	(335,386)	(384,715)
2024	(49,545)	(324,345)	(373,890)
Thereafter	<u>(20,310)</u>	<u>(271,793)</u>	<u>(292,103)</u>
Total	<u>\$ (490,590)</u>	<u>\$ (2,032,114)</u>	<u>\$ (2,522,704)</u>

***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.

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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%

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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
<b>Total</b>	<b>100.00 %</b>	

**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 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 (6.5% decreasing to 3.75%) and higher (8.5% 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	\$ 2,536,521	\$ 2,090,388	\$ 1,737,133

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.5 % decreasing to 3.75 %)	Current Trend Rate (7.5 % decreasing to 4.75 %)	1% Increase (8.5 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 1,686,559	\$ 2,090,388	\$ 2,625,129

**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 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**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	<u>100.00 %</u>	

\*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 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.

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 1,039,792	\$ 1,213,161	\$ 1,358,869
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,350,643	\$ 1,213,161	\$ 1,073,536

**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 budget basis and the GAAP basis are that:

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund are as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 1,221,783
Net adjustment for revenue accruals	255,282
Net adjustment for expenditure accruals	23,639
Net adjustment for other sources/uses	(70,635)
Funds budgeted elsewhere	153,666
Adjustment for encumbrances	490,697
GAAP basis	<u>\$ 2,074,432</u>

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

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

**C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the district.

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

**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	357,594
Current year offsets	<u>(376,788)</u>
Total	<u>\$ (19,194)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u><u>\$ -</u></u>

During a prior fiscal year, the District issued \$25,000,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$23,160,678 at June 30, 2019.

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 389,992
Other governmental	<u>286,005</u>
Total	<u><u>\$ 675,997</u></u>



**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2019, the District had the following contractual commitments:

Contractor	Contractual Commitments	Amount Paid as of 6/30/2019	Amount Remaining on Contracts
G & J Paving, Inc.	\$ 40,786	\$ -	\$ 40,786
Solar Tint	34,372	17,186	17,186
Total	<u>\$ 75,158</u>	<u>\$ 17,186</u>	<u>\$ 57,972</u>

**NOTE 19 - SUBSEQUENT EVENT**

The District approved the Memorandum of Understanding with the OAPSE for July 1, 2019 through June 30, 2022.

Additionally, on October 23, 2019, the District issued \$13,165,000 in School Facilities Construction and Improvement Refunding Bonds Series 2019.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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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			
	2019	2018	2017	2016
District's proportion of the net pension liability	0.07411580%	0.08308540%	0.09021180%	0.09164670%
District's proportionate share of the net pension liability	\$ 4,244,749	\$ 4,964,169	\$ 6,602,671	\$ 5,229,450
District's covered payroll	\$ 2,500,067	\$ 2,539,007	\$ 2,758,900	\$ 2,759,044
District's proportionate share of the net pension liability as a percentage of its covered payroll	169.79%	195.52%	239.32%	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>
0.08994200%	0.08994200%
\$ 4,551,913	\$ 5,348,562
\$ 2,613,535	\$ 2,496,062
174.17%	214.28%
71.70%	65.52%

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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			
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
District's proportion of the net pension liability	0.07549706%	0.07843699%	0.08384918%	0.08798803%
District's proportionate share of the net pension liability	\$ 16,600,108	\$ 18,632,875	\$ 28,066,848	\$ 24,317,318
District's covered payroll	\$ 8,602,100	\$ 8,562,100	\$ 8,765,600	\$ 9,180,079
District's proportionate share of the net pension liability as a percentage of its covered payroll	192.98%	217.62%	320.19%	264.89%
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>
0.08680476%	0.08680476%
\$ 21,113,922	\$ 25,150,765
\$ 8,869,054	\$ 9,507,708
238.06%	264.53%
74.70%	69.30%

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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	\$ 343,418	\$ 337,509	\$ 355,461	\$ 386,246
Contributions in relation to the contractually required contribution	<u>(343,418)</u>	<u>(337,509)</u>	<u>(355,461)</u>	<u>(386,246)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,543,837	\$ 2,500,067	\$ 2,539,007	\$ 2,758,900
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>
\$ 363,642	\$ 362,236	\$ 345,455	\$ 343,317	\$ 318,999	\$ 334,294
<u>(363,642)</u>	<u>(362,236)</u>	<u>(345,455)</u>	<u>(343,317)</u>	<u>(318,999)</u>	<u>(334,294)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,759,044	\$ 2,613,535	\$ 2,496,062	\$ 2,552,543	\$ 2,537,780	\$ 2,468,936
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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	\$ 1,149,195	\$ 1,204,294	\$ 1,198,694	\$ 1,227,184
Contributions in relation to the contractually required contribution	<u>(1,149,195)</u>	<u>(1,204,294)</u>	<u>(1,198,694)</u>	<u>(1,227,184)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,208,536	\$ 8,602,100	\$ 8,562,100	\$ 8,765,600
Contributions as a percentage of covered payroll	14.00%	14.00%	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>
\$ 1,285,211	\$ 1,152,977	\$ 1,236,002	\$ 1,249,428	\$ 1,300,548	\$ 1,363,969
<u>(1,285,211)</u>	<u>(1,152,977)</u>	<u>(1,236,002)</u>	<u>(1,249,428)</u>	<u>(1,300,548)</u>	<u>(1,363,969)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,180,079	\$ 8,869,054	\$ 9,507,708	\$ 9,610,985	\$ 10,004,215	\$ 10,492,069
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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	0.07534910%	0.08414220%	0.09107808%
District's proportionate share of the net OPEB liability	\$ 2,090,388	\$ 2,258,156	\$ 2,596,062
District's covered payroll	\$ 2,500,067	\$ 2,539,007	\$ 2,758,900
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	83.61%	88.94%	94.10%
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

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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	0.07549706%	0.07843699%	0.08384918%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,213,161)	\$ 3,060,322	\$ 4,484,276
District's covered payroll	\$ 8,602,100	\$ 8,562,100	\$ 8,765,600
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.10%	35.74%	51.16%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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	\$ 58,796	\$ 53,911	\$ 45,072	\$ 44,620
Contributions in relation to the contractually required contribution	<u>(58,796)</u>	<u>(53,911)</u>	<u>(45,072)</u>	<u>(44,620)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,543,837	\$ 2,500,067	\$ 2,539,007	\$ 2,758,900
Contributions as a percentage of covered payroll	2.31%	2.16%	1.78%	1.62%

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>
\$ 66,496	\$ 45,945	\$ 41,080	\$ 51,387	\$ 73,638	\$ 45,418
<u>(66,496)</u>	<u>(45,945)</u>	<u>(41,080)</u>	<u>(51,387)</u>	<u>(73,638)</u>	<u>(45,418)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,759,044	\$ 2,613,535	\$ 2,496,062	\$ 2,552,543	\$ 2,537,780	\$ 2,468,936
2.41%	1.76%	1.65%	2.01%	2.90%	1.84%

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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	\$ 8,208,536	\$ 8,602,100	\$ 8,562,100	\$ 8,765,600
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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>
\$ -	\$ 91,769	\$ 95,077	\$ 96,110	\$ 100,042	\$ 104,921
-	(91,769)	(95,077)	(96,110)	(100,042)	(104,921)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,180,079	\$ 8,869,054	\$ 9,507,708	\$ 9,610,985	\$ 10,004,215	\$ 10,492,069
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

PENSION

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*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)



**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*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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**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<b>Child Nutrition Cluster:</b>			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	2019	65,453
Cash Assistance			
School Breakfast Program	10.553	2019	190,498
National School Lunch Program	10.555	2019	<u>481,789</u>
Total Child Nutrition Cluster			<u>672,287</u>
Total U.S. Department of Agriculture			<u>737,740</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2018	187,831
Title I Grants to Local Educational Agencies	84.010	2019	840,253
School Quality Improvement Grant	84.010	2019	8,000
Total Title I Grant to Local Educational Agencies			<u>1,036,084</u>
<b>Special Education Cluster</b>			
Special Education Grants to States	84.027	2018	68,707
Special Education Grants to States	84.027	2019	527,875
Special Education Grants to States Restoration	84.027	2019	4,662
Total Special Education			<u>601,244</u>
Special Education Pre-School Grants	84.173	2018	239
Special Education Early Childhood	84.173	2019	7,742
Special Education Early Childhood Restoration	84.173	2019	7,438
Total Early Childhood Special Education			<u>15,419</u>
Total Special Education Cluster			<u>616,663</u>
Twenty-First Century Community Learning Center Grants	84.287	2019	<u>800,000</u>
Rural Education	84.358	2018	11,929
Rural Education	84.358	2019	22,434
Total Rural Education			<u>34,363</u>
Improving Teacher Quality State Grants	84.367	2018	15,859
Improving Teacher Quality State Grants	84.367	2019	87,417
Total Supporting Effective Instruction Quality State Grants			<u>103,276</u>
Student Support and Academic Enrichment Program	84.424	2019	<u>20,202</u>
Total U.S. Department of Education			<u>2,610,588</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$3,348,328</u></b>

*The accompanying notes are an integral part of this Schedule.*

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Gallipolis City School District (the District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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SoutheastRegion@ohioauditor.gov

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

Gallipolis City School District  
Gallia County  
61 State Street  
Gallipolis, Ohio 45631

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 the Gallipolis City School District, Gallia 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 January 28, 2020.

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

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

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

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

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

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

***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

January 28, 2020

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Gallipolis City School District  
Gallia County  
61 State Street  
Gallipolis, Ohio 45631

To the Board of Education:

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

We have audited the Gallipolis City School District's, Gallia County, Ohio (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal program.

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

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Gallipolis City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

**Report on Internal Control Over Compliance**

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

January 28, 2020



**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Twenty-First Century Community Learning Centers Grants – CFDA # 84.287
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# OHIO AUDITOR OF STATE KEITH FABER



**GALLIPOLIS CITY SCHOOL DISTRICT**

**GALLIA 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  
FEBRUARY, 13 2020**