

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017***

**BETH VOLLBORN, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Gallipolis City School District  
61 State St.  
Gallipolis, OH 45631

We have reviewed the *Independent Auditor's Report* of Gallipolis City School District, Gallia County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 8, 2017

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	21
Statement of Fiduciary Net Position - Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	23
Notes to the Basic Financial Statements.....	24 - 59
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio .....	60
State Teachers Retirement System (STRS) of Ohio .....	61
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio .....	62 - 63
State Teachers Retirement System (STRS) of Ohio .....	64 - 65
Notes to Required Supplementary Information .....	66
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	67
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	68 - 69
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 .....	70 - 71
Schedule of Findings 2 <i>CFR</i> § 200.515 .....	72

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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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, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Gallipolis City School 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 Gallipolis City School 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 Gallipolis City School 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 Gallipolis City School District, Gallia County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

The Schedule of Expenditures of Federal Awards 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 December 18, 2017, on our consideration of the Gallipolis City School 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 Gallipolis City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 18, 2017



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

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

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, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- During fiscal year 2017, net position of governmental activities decreased \$4,119,541 which represents a 18.26% decrease from fiscal year 2016.
- General revenues accounted for \$16,102,546 in revenue or 70.55% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,720,355 or 29.45% of total revenues of \$22,822,901.
- The District had \$26,942,442 in expenses related to governmental activities; \$6,720,355 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 \$16,102,546 were not adequate to provide for these programs.
- The District had three major governmental funds during fiscal year 2017, the general fund, the debt service fund and the permanent improvement fund. The general fund had \$18,216,783 in revenues and other financing sources and \$19,984,637 in expenditures and other financing uses. The general fund also had a decrease in nonspendable inventory of \$2,678. During fiscal year 2017, the general fund's fund balance decreased \$1,770,532 from \$978,714 to a deficit of \$791,818.
- The debt service fund had \$1,420,650 in revenues and other financing sources and \$1,805,725 in expenditures. During fiscal year 2017, the debt service fund's fund balance decreased \$385,075 from \$2,776,046 to \$2,390,971.
- The permanent improvement fund had \$2,250,818 in revenues and other financing sources and \$1,859,093 in expenditures. During fiscal year 2017, the permanent improvement fund's fund balance increased \$391,725 from \$849,891 to \$1,241,616.

**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, the debt service fund and the permanent improvement 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, 2017

**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 2017?" 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 15-16 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 11. 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 17-21 of this report.

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

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

***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 22 and 23. 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 24-59 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. The required supplementary information can be found on pages 60-66 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, 2017 and June 30, 2016.

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

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

**Net Position**

	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current and other assets	\$ 12,319,519	\$ 12,292,075
Capital assets, net	<u>65,469,248</u>	<u>65,454,748</u>
Total assets	<u>77,788,767</u>	<u>77,746,823</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	1,863,753	1,977,281
Pension	<u>6,340,403</u>	<u>3,139,681</u>
Total deferred outflows of resources	<u>8,204,156</u>	<u>5,116,962</u>
Total assets and deferred outflows	<u>85,992,923</u>	<u>82,863,785</u>
<u>Liabilities</u>		
Current liabilities	1,918,728	1,866,086
Long-term liabilities:		
Due within one year	1,415,373	1,258,265
Due in more than one year:		
Net pension liability	34,669,519	29,546,768
Other amounts	<u>22,500,136</u>	<u>21,592,105</u>
Total liabilities	<u>60,503,756</u>	<u>54,263,224</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	6,036,086	4,167,052
Pension	<u>1,010,820</u>	<u>1,871,707</u>
Total deferred inflows of resources	<u>7,046,906</u>	<u>6,038,759</u>
Total liabilities and deferred inflows	<u>67,550,662</u>	<u>60,301,983</u>
<u>Net Position</u>		
Net investment in capital assets	45,569,849	46,449,788
Restricted	3,733,697	4,227,990
Unrestricted (deficit)	<u>(30,861,285)</u>	<u>(28,115,976)</u>
Total net position	<u>\$ 18,442,261</u>	<u>\$ 22,561,802</u>

The District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,442,261.

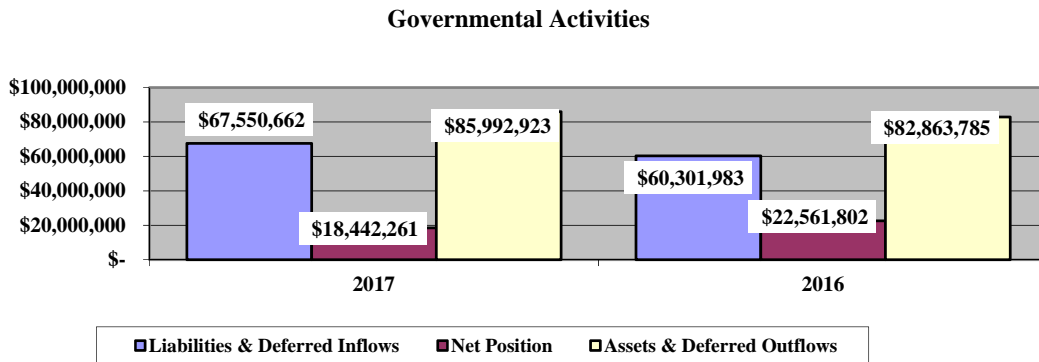
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

At fiscal year-end, capital assets represented 84.16% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Total net investment in capital assets at June 30, 2017 was \$45,569,849. 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, \$3,733,697, 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 \$30,861,285.

The graph below illustrates the District's total assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2017 and 2016.



The table below shows the change in net position for fiscal year 2017 and 2016.

**Change in Net Position**

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 2,163,514	\$ 1,761,108
Operating grants and contributions	4,555,041	4,028,986
Capital grants and contributions	1,800	3,530
General revenues:		
Property taxes	4,038,591	9,270,327
Grants and entitlements	11,515,332	11,665,108
Investment earnings	31,244	14,922
Miscellaneous	<u>517,379</u>	<u>383,315</u>
Total revenues	<u>22,822,901</u>	<u>27,127,296</u>

- Continued

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

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

**Change in Net Position**

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 11,246,115	\$ 9,993,187
Special	4,804,810	4,373,495
Vocational	112,652	197,445
Other	2,475	59,150
Support services:		
Pupil	1,298,020	1,288,131
Instructional staff	908,029	995,530
Board of education	51,509	68,436
Administration	1,837,027	1,754,606
Fiscal	511,717	513,621
Operations and maintenance	2,230,894	2,371,949
Pupil transportation	1,454,485	1,360,276
Central	217,349	190,855
Operation of non-instructional services:		
Food service operations	858,935	848,160
Other non-instructional services	-	240
Extracurricular activities	542,457	515,927
Interest and fiscal charges	865,968	801,214
Total expenses	<u>26,942,442</u>	<u>25,332,222</u>
Special item	<u>-</u>	<u>(999,205)</u>
Change in net position	(4,119,541)	795,869
Net position at beginning of year	<u>22,561,802</u>	<u>21,765,933</u>
Net position at end of year	<u>\$ 18,442,261</u>	<u>\$ 22,561,802</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$4,119,541 primarily from an increase in net pension liability. Total governmental expenses of \$26,942,442 were offset by program revenues of \$6,720,355 and general revenues of \$16,102,546. Program revenues supported 24.94% of the total governmental expenses.

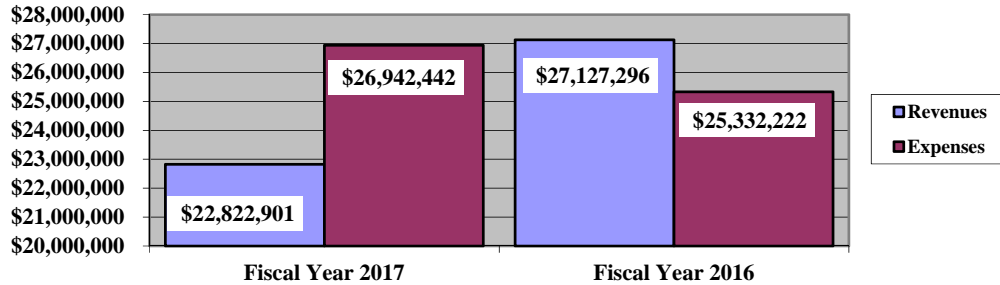
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 68.15% of total governmental revenue. Real estate property is reappraised every six years.

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

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

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

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
<b>Program expenses</b>				
Instruction:				
Regular	\$ 11,246,115	\$ 9,410,690	\$ 9,993,187	\$ 8,334,610
Special	4,804,810	1,516,554	4,373,495	1,902,580
Vocational	112,652	95,487	197,445	178,305
Other	2,475	(481)	59,150	21,101
Support services:				
Pupil	1,298,020	1,291,231	1,288,131	1,280,998
Instructional staff	908,029	580,405	995,530	673,127
Board of education	51,509	51,509	68,436	68,436
Administration	1,837,027	1,788,138	1,754,606	1,699,706
Fiscal	511,717	508,408	513,621	510,106
Operations and maintenance	2,230,894	2,223,298	2,371,949	2,362,326
Pupil transportation	1,454,485	1,271,110	1,360,276	1,195,690
Central	217,349	188,393	190,855	186,623
Operations of non-instructional services:				
Other non-instructional services	-	-	240	240
Food service operations	858,935	51,543	848,160	(6,629)
Extracurricular activities	542,457	379,834	515,927	330,165
Interest and fiscal charges	865,968	865,968	801,214	801,214
<b>Total expenses</b>	<u>\$ 26,942,442</u>	<u>\$ 20,222,087</u>	<u>\$ 25,332,222</u>	<u>\$ 19,538,598</u>



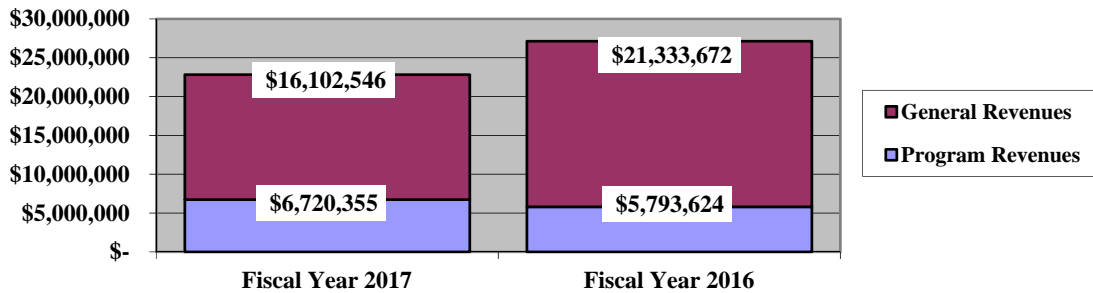
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent, 68.18% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.06%. 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 2017 and 2016.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$3,475,163, which is lower than last year's total of \$5,630,732. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance (deficit) <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>
General	\$ (791,818)	\$ 978,714	\$ (1,770,532)
Debt service	2,390,971	2,776,046	(385,075)
Permanent improvement	1,241,616	849,891	391,725
Other governmental	<u>634,394</u>	<u>1,026,081</u>	<u>(391,687)</u>
Total	<u>\$ 3,475,163</u>	<u>\$ 5,630,732</u>	<u>\$ (2,155,569)</u>

**General Fund**

The District's general fund's fund balance decreased \$1,770,532.

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

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

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,814,874	\$ 6,607,491	\$ (3,792,617)	(57.40) %
Transportation fees	136,986	145,442	(8,456)	(5.81) %
Tuition	1,700,337	1,265,525	434,812	34.36 %
Earnings on investments	31,018	13,890	17,128	123.31 %
Intergovernmental	12,750,996	12,750,860	136	0.00 %
Other revenues	<u>520,918</u>	<u>425,007</u>	<u>95,911</u>	22.57 %
<b>Total</b>	<b><u>\$ 17,955,129</u></b>	<b><u>\$ 21,208,215</u></b>	<b><u>\$ (3,253,086)</u></b>	<b>(15.34) %</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 12,176,268	\$ 11,915,230	\$ 261,038	2.19 %
Support services	7,234,481	7,408,503	(174,022)	(2.35) %
Operation of non-instructional services	35,215	240	34,975	14,572.92 %
Extracurricular activities	313,954	299,663	14,291	4.77 %
Facilities acquisition and construction	1,195	2,583	(1,388)	(53.74) %
Debt service	<u>45,119</u>	<u>45,119</u>	<u>-</u>	- %
<b>Total</b>	<b><u>\$ 19,806,232</u></b>	<b><u>\$ 19,671,338</u></b>	<b><u>\$ 134,894</u></b>	<b>0.69 %</b>

The District experienced a \$3,253,086 or 15.34% decrease in general fund revenues. Taxes decreased \$3,792,617 or 57.40% due to a significant decrease in tax advances available in the current fiscal year. In fiscal year 2016, it was requested that the County Auditor send the maximum amount tax advance available due to the District's low cash balance. The amount of tax advances available in the current fiscal year are comparable to fiscal year 2015. Tuition increased \$434,812 or 34.36% primarily due to the District receiving more ODE foundation revenue in the current fiscal year. Earning on investments increased \$17,128 or 123.31% in fiscal year 2017 due to the District holding more monies in their bank accounts. Other local revenues increased \$95,911 or 22.57% due to a USAC-Erate reimbursement received in the current fiscal year. All other revenues remained consistent with prior year.

The District experienced an increase of \$134,894 or 0.69% in expenditures. Operation of non-instructional services increased \$34,975 or 14,572.92% due to the District having food service expenditures in the termination benefits fund (a fund that is considered part of the general fund for GAAP purposes) in the current fiscal year. All other expenditures remained consistent with prior year.

***Debt Service Fund***

The debt service fund had \$1,420,650 in revenues and other financing sources and \$1,805,725 in expenditures. During fiscal year 2017, the debt service fund's fund balance decreased \$385,075 from \$2,776,046 to \$2,390,971.

***Permanent Improvement Fund***

The permanent improvement fund had \$2,250,818 in revenues and other financing sources and \$1,859,093 in expenditures. During fiscal year 2017, the permanent improvement fund's fund balance increased \$391,725 from \$849,891 to \$1,241,616.

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

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

***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 \$20,016,435, which was more than the original budgeted revenues and other financing sources of \$19,000,000. Actual revenues and other financing sources for fiscal year 2017 were \$20,072,744. This represents an \$56,309 increase from final budgeted amounts.

General fund final appropriations (appropriated expenditures) were \$20,257,398, which was \$1,163,278 more than the original budgeted expenditures and other financing uses of \$19,094,120. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$20,256,757, which was \$641 less than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2017, the District had \$65,469,248 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, 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, 2017 and June 30, 2016:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 1,205,750	\$ 1,205,750
Construction in progress	1,746,411	-
Land improvements	1,224,801	1,275,055
Building and improvements	59,000,687	60,431,683
Furniture and equipment	2,059,602	2,225,800
Vehicles	<u>231,997</u>	<u>316,460</u>
Total	<u>\$ 65,469,248</u>	<u>\$ 65,454,748</u>

The overall increase in capital assets of \$14,500 is primarily due to capital asset additions of \$1,925,913 exceeding depreciation expense of \$1,911,413 in fiscal 2017.

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, 2017**

***Debt Administration***

At June 30, 2017, the District had \$1,982,547 in energy conservation bonds, \$18,131,594 in refunding bonds outstanding, \$176,965 in lease purchase agreements and \$110,814 in capital lease obligations. Of this total, \$1,301,854 is due within one year and \$19,100,066 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 2015	Governmental Activities 2016
	<u>2015</u>	<u>2016</u>
Energy conservation bonds	\$ 1,982,547	\$ -
Lease purchase agreement	176,965	-
Refunding bonds	18,131,594	18,935,460
Capital Lease	<u>110,814</u>	<u>150,018</u>
Total	<u>\$ 20,401,920</u>	<u>\$ 19,085,478</u>

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 the District's cash balance.

The District employs 234 regular employees and has 2 contracted employees through Gallia-Vinton Education Service Center. There have been no increases to the certified salary schedule since fiscal year 2015. The last classified salary schedule increase was in fiscal year 2016.

The negotiated agreement between the Board of Education and the Gallipolis Education Association is approved through August 31, 2018 with an opener to negotiate insurance and wages only in October 2017. The negotiated agreement between the Board of Education and the Gallipolis Ohio Association of Public School Employees Local 349 expired June 30, 2017. At this time, Local 349 has accepted a proposal and the agreement is in the process of being approved.

**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 Mrs. Bethany Vollborn, Treasurer, Gallipolis City School District, 61 State Street, Gallipolis, Ohio 45631.

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

STATEMENT OF NET POSITION  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,499,204
Receivables:	
Taxes . . . . .	7,030,884
Accounts. . . . .	9,563
Intergovernmental. . . . .	632,394
Prepayments. . . . .	61,691
Materials and supplies inventory . . . . .	58,365
Inventory held for resale . . . . .	27,418
Capital assets:	
Nondepreciable capital assets. . . . .	2,952,161
Depreciable capital assets, net . . . . .	62,517,087
Capital assets, net. . . . .	65,469,248
Total assets . . . . .	77,788,767
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	1,863,753
Pension - STRS . . . . .	4,866,005
Pension - SERS . . . . .	1,474,398
Total deferred outflows of resources . . . . .	8,204,156
<b>Liabilities:</b>	
Accounts payable. . . . .	181,792
Accrued wages and benefits payable . . . . .	1,352,134
Intergovernmental payable . . . . .	84,916
Pension and postemployment benefits payable .	264,165
Accrued interest payable . . . . .	35,721
Long-term liabilities:	
Due within one year. . . . .	1,415,373
Due in more than one year:	
Net pension liability. . . . .	34,669,519
Other amounts due in more than one year .	22,500,136
Total liabilities . . . . .	60,503,756
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . .	6,036,086
Pension - STRS. . . . .	945,558
Pension - SERS. . . . .	65,262
Total deferred inflows of resources. . . . .	7,046,906
<b>Net position:</b>	
Net investment in capital assets . . . . .	45,569,849
Restricted for:	
Capital projects . . . . .	1,551,862
Classroom facilities maintenance . . . . .	120,086
Debt service . . . . .	1,716,698
Locally funded programs . . . . .	4,673
State funded programs. . . . .	36,736
Federally funded programs . . . . .	177,035
Food service operations . . . . .	126,607
Unrestricted (deficit) . . . . .	(30,861,285)
Total net position. . . . .	\$ 18,442,261

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, 2017

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 11,246,115	\$ 1,403,876	\$ 431,549	\$ -	\$ (9,410,690)
Special . . . . .	4,804,810	324,935	2,963,321	-	(1,516,554)
Vocational . . . . .	112,652	-	17,165	-	(95,487)
Other . . . . .	2,475	-	2,956	-	481
Support services:					
Pupil . . . . .	1,298,020	-	6,789	-	(1,291,231)
Instructional staff . . . . .	908,029	6,936	320,688	-	(580,405)
Board of education . . . . .	51,509	-	-	-	(51,509)
Administration . . . . .	1,837,027	-	48,889	-	(1,788,138)
Fiscal . . . . .	511,717	-	3,309	-	(508,408)
Operations and maintenance . . . . .	2,230,894	78	5,718	1,800	(2,223,298)
Pupil transportation . . . . .	1,454,485	136,986	46,389	-	(1,271,110)
Central . . . . .	217,349	-	28,956	-	(188,393)
Operation of non-instructional services:					
Food service operations . . . . .	858,935	129,346	678,046	-	(51,543)
Extracurricular activities . . . . .	542,457	161,357	1,266	-	(379,834)
Interest and fiscal charges . . . . .	865,968	-	-	-	(865,968)
<b>Total governmental activities . . . . .</b>	<b>\$ 26,942,442</b>	<b>\$ 2,163,514</b>	<b>\$ 4,555,041</b>	<b>\$ 1,800</b>	<b>(20,222,087)</b>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					2,852,775
Special revenue . . . . .					49,888
Debt service . . . . .					990,568
Capital projects . . . . .					145,360
Grants and entitlements not restricted to specific programs . . . . .					11,515,332
Investment earnings . . . . .					31,244
Miscellaneous . . . . .					517,379
<b>Total general revenues . . . . .</b>					<b>16,102,546</b>
Change in net position . . . . .					(4,119,541)
<b>Net position at beginning of year . . . . .</b>					<b>22,561,802</b>
<b>Net position at end of year . . . . .</b>					<b>\$ 18,442,261</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	Debt Service	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 294,667	\$ 2,294,841	\$ 1,225,506	\$ 684,190	\$ 4,499,204
Receivables:					
Property taxes. . . . .	4,904,362	1,713,738	287,205	125,579	7,030,884
Accounts . . . . .	9,557	-	-	6	9,563
Interfund loans . . . . .	17,281	-	-	-	17,281
Intergovernmental. . . . .	136,371	-	-	496,023	632,394
Prepayments. . . . .	44,283	-	-	17,408	61,691
Materials and supplies inventory. . . . .	46,079	-	-	12,286	58,365
Inventory held for resale. . . . .	-	-	-	27,418	27,418
Due from other funds . . . . .	47,461	-	-	-	47,461
Total assets . . . . .	<u>\$ 5,500,061</u>	<u>\$ 4,008,579</u>	<u>\$ 1,512,711</u>	<u>\$ 1,362,910</u>	<u>\$ 12,384,261</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 111,513	\$ -	\$ -	\$ 70,279	\$ 181,792
Accrued wages and benefits payable . . . . .	1,170,738	-	-	181,396	1,352,134
Compensated absences payable . . . . .	38,933	-	-	-	38,933
Intergovernmental payable . . . . .	82,711	-	-	2,205	84,916
Pension and postemployment benefits payable . . . . .	225,886	-	-	38,279	264,165
Interfund loans payable. . . . .	-	-	-	17,281	17,281
Due to other funds . . . . .	-	-	-	47,461	47,461
Total liabilities. . . . .	<u>1,629,781</u>	<u>-</u>	<u>-</u>	<u>356,901</u>	<u>1,986,682</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year. . . . .	4,210,444	1,471,262	246,569	107,811	6,036,086
Delinquent property tax revenue not available . . . . .	418,813	146,346	24,526	10,724	600,409
Intergovernmental revenue not available. . . . .	32,841	-	-	253,080	285,921
Total deferred inflows of resources . . . . .	<u>4,662,098</u>	<u>1,617,608</u>	<u>271,095</u>	<u>371,615</u>	<u>6,922,416</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	46,079	-	-	12,286	58,365
Prepays. . . . .	44,283	-	-	17,408	61,691
Restricted:					
Debt service . . . . .	-	2,390,971	-	-	2,390,971
Capital improvements . . . . .	-	-	1,241,616	285,720	1,527,336
Classroom facilities maintenance . . . . .	-	-	-	100,286	100,286
Food service operations . . . . .	-	-	-	153,315	153,315
Non-public schools . . . . .	-	-	-	31,022	31,022
Public school preschool . . . . .	-	-	-	1,588	1,588
Special education . . . . .	-	-	-	6,367	6,367
Targeted academic assistance . . . . .	-	-	-	1,712	1,712
Other purposes. . . . .	-	-	-	4,698	4,698
Committed:					
Capital improvements . . . . .	-	-	-	42,885	42,885
Student and staff support . . . . .	30,945	-	-	-	30,945
Student instruction . . . . .	25,881	-	-	-	25,881
Assigned:					
Student instruction . . . . .	41,506	-	-	-	41,506
Student and staff support. . . . .	39,182	-	-	-	39,182
Extracurricular activities . . . . .	859	-	-	-	859
Uniform school supplies . . . . .	15,962	-	-	-	15,962
Public school support. . . . .	30,740	-	-	-	30,740
Unassigned (deficit) . . . . .	(1,067,255)	-	-	(22,893)	(1,090,148)
Total fund balances . . . . .	<u>(791,818)</u>	<u>2,390,971</u>	<u>1,241,616</u>	<u>634,394</u>	<u>3,475,163</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,500,061</u>	<u>\$ 4,008,579</u>	<u>\$ 1,512,711</u>	<u>\$ 1,362,910</u>	<u>\$ 12,384,261</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, 2017

<b>Total governmental fund balances</b>		\$	3,475,163
<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.			65,469,248
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	600,409	
Intergovernmental receivable		285,921	
Total			886,330
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		6,340,403	
Deferred Inflows - Pension		(1,010,820)	
Net pension liability		(34,669,519)	
Total			(29,339,936)
Unamortized premiums on bonds issued are not recognized in the funds.			(2,323,095)
Unamortized amounts on refundings are not recognized in the funds.			1,863,753
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(35,721)
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		(20,114,141)	
Capital lease obligations		(287,779)	
Compensated absences		(1,151,561)	
Total			(21,553,481)
<b>Net position of governmental activities</b>		\$	18,442,261

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, 2017

	General	Debt Service	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 2,814,874	\$ 977,591	\$ 136,985	\$ 44,814	\$ 3,974,264
Tuition . . . . .	1,700,337	-	-	-	1,700,337
Transportation fees . . . . .	136,986	-	-	-	136,986
Earnings on investments . . . . .	31,018	-	-	1,265	32,283
Charges for services . . . . .	-	-	-	129,424	129,424
Extracurricular . . . . .	6,860	-	-	161,357	168,217
Classroom materials and fees . . . . .	28,550	-	-	-	28,550
Contributions and donations . . . . .	30,483	-	-	2,140	32,623
Other local revenues . . . . .	455,025	55,950	-	2,670	513,645
Intergovernmental - state . . . . .	12,572,159	235,904	31,880	363,753	13,203,696
Intergovernmental - federal . . . . .	178,837	-	-	2,462,080	2,640,917
Total revenues . . . . .	<u>17,955,129</u>	<u>1,269,445</u>	<u>168,865</u>	<u>3,167,503</u>	<u>22,560,942</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	9,367,639	-	-	385,248	9,752,887
Special . . . . .	2,712,810	-	-	1,263,071	3,975,881
Vocational . . . . .	95,819	-	-	-	95,819
Other . . . . .	-	-	-	2,475	2,475
Support services:					
Pupil . . . . .	1,135,377	-	-	6,511	1,141,888
Instructional staff . . . . .	514,445	-	55,183	253,619	823,247
Board of education . . . . .	51,513	-	-	-	51,513
Administration . . . . .	1,573,321	-	-	49,109	1,622,430
Fiscal . . . . .	455,227	52,567	6,053	6,270	520,117
Operations and maintenance . . . . .	1,986,033	-	10,698	296,309	2,293,040
Pupil transportation . . . . .	1,331,703	-	15,176	45,818	1,392,697
Central . . . . .	186,862	-	-	29,560	216,422
Operation of non-instructional services:					
Food service operations . . . . .	35,215	-	-	781,571	816,786
Extracurricular activities . . . . .	313,954	-	-	171,560	485,514
Facilities acquisition and construction . . . . .	1,195	-	1,693,018	260,394	1,954,607
Debt service:					
Principal retirement . . . . .	38,608	1,100,327	40,715	9,596	1,189,246
Interest and fiscal charges . . . . .	6,511	518,752	250	100	525,613
Bond issuance costs . . . . .	-	-	38,000	-	38,000
Accretion on capital appreciation bond . . . . .	-	134,079	-	-	134,079
Total expenditures . . . . .	<u>19,806,232</u>	<u>1,805,725</u>	<u>1,859,093</u>	<u>3,561,211</u>	<u>27,032,261</u>
Excess of expenditures over revenues . . . . .	<u>(1,851,103)</u>	<u>(536,280)</u>	<u>(1,690,228)</u>	<u>(393,708)</u>	<u>(4,471,319)</u>
<b>Other financing sources (uses):</b>					
Sale of bonds . . . . .	-	-	2,081,953	-	2,081,953
Lease purchase transaction . . . . .	226,680	-	-	-	226,680
Transfers in . . . . .	34,974	151,205	-	27,200	213,379
Transfers (out) . . . . .	(178,405)	-	-	(34,974)	(213,379)
Total other financing sources (uses) . . . . .	<u>83,249</u>	<u>151,205</u>	<u>2,081,953</u>	<u>(7,774)</u>	<u>2,308,633</u>
Net change in fund balances . . . . .	<u>(1,767,854)</u>	<u>(385,075)</u>	<u>391,725</u>	<u>(401,482)</u>	<u>(2,162,686)</u>
<b>Fund balances at beginning of year . . . . .</b>	<b>978,714</b>	<b>2,776,046</b>	<b>849,891</b>	<b>1,026,081</b>	<b>5,630,732</b>
<b>Increase (decrease) in reserve for inventory . . . . .</b>	<b>(2,678)</b>	<b>-</b>	<b>-</b>	<b>9,795</b>	<b>7,117</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b><u>\$(791,818)</u></b>	<b><u>\$ 2,390,971</u></b>	<b><u>\$ 1,241,616</u></b>	<b><u>\$ 634,394</u></b>	<b><u>\$ 3,475,163</u></b>

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, 2017

<b>Net change in fund balances - total governmental funds</b>	\$	(2,162,686)
<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	\$ 1,925,913	
Current year depreciation	<u>(1,911,413)</u>	
Total		14,500
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		7,117
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	64,327	
Intergovernmental	<u>203,210</u>	
Total		267,537
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	1,069,406	
Capital appreciation bonds	30,921	
Accreted interest on capital appreciation bonds	134,079	
Capital leases	39,204	
Lease purchase agreements	<u>49,715</u>	
Total		1,323,325
Issuance of bonds and lease purchase agreements are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(2,308,633)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,554,155
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,615,297)
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:		
Increase in accrued interest payable	(19,204)	
Accreted interest on capital appreciation bonds	(331,134)	
Amortization of bond premiums	161,511	
Amortization of deferred charges	<u>(113,528)</u>	
Total		(302,355)
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.		
		102,796
<b>Change in net position of governmental activities</b>	<u>\$</u>	<u>(4,119,541)</u>

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,435,454	\$ 4,725,349	\$ 4,725,349	\$ -
Tuition. . . . .	1,596,023	1,700,337	1,700,337	-
Transportation fees. . . . .	119,335	127,135	127,135	-
Earnings on investments . . . . .	29,115	31,018	31,018	-
Contributions and donations . . . . .	9,136	9,733	9,733	-
Other local revenues . . . . .	415,215	442,353	442,353	-
Intergovernmental - state . . . . .	11,797,122	12,549,776	12,549,776	-
Intergovernmental - federal . . . . .	346,703	178,837	178,837	-
Total revenues . . . . .	<u>18,748,103</u>	<u>19,764,538</u>	<u>19,764,538</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,884,732	9,435,235	9,426,754	8,481
Special. . . . .	2,584,399	2,744,530	2,742,063	2,467
Vocational. . . . .	97,712	103,766	103,673	93
Other. . . . .	3,982	4,229	4,225	4
Support services:				
Pupil. . . . .	1,100,679	1,168,878	1,167,827	1,051
Instructional staff . . . . .	472,346	501,613	501,162	451
Board of education . . . . .	51,962	55,182	55,132	50
Administration. . . . .	1,475,506	1,566,930	1,565,521	1,409
Fiscal . . . . .	431,058	457,766	457,355	411
Operations and maintenance. . . . .	1,948,683	2,069,424	2,067,564	1,860
Pupil transportation . . . . .	1,240,481	1,317,342	1,316,158	1,184
Central. . . . .	187,841	199,479	199,300	179
Extracurricular activities. . . . .	293,966	312,181	311,900	281
Facilities acquisition and construction . . . . .	1,126	1,196	1,195	1
Total expenditures . . . . .	<u>18,774,473</u>	<u>19,937,751</u>	<u>19,919,829</u>	<u>17,922</u>
Excess of expenditures over revenues. . . . .	<u>(26,370)</u>	<u>(173,213)</u>	<u>(155,291)</u>	<u>17,922</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	23,715	23,715	23,715	-
Transfers (out). . . . .	(319,647)	(319,647)	(319,647)	-
Advances in. . . . .	-	-	56,309	56,309
Advances (out) . . . . .	-	-	(17,281)	(17,281)
Lease purchase transaction. . . . .	226,682	226,682	226,682	-
Sale of capital assets . . . . .	1,500	1,500	1,500	-
Total other financing sources (uses) . . . . .	<u>(67,750)</u>	<u>(67,750)</u>	<u>(28,722)</u>	<u>39,028</u>
Net change in fund balance . . . . .	(94,120)	(240,963)	(184,013)	56,950
<b>Fund balance at beginning of year . . . . .</b>	<b>107,953</b>	<b>107,953</b>	<b>107,953</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>94,120</b>	<b>94,120</b>	<b>94,120</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 107,953</b>	<b>\$ (38,890)</b>	<b>\$ 18,060</b>	<b>\$ 56,950</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, 2017

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 15,821	\$ 35,300
Total assets . . . . .	15,821	\$ 35,300
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 797
Due to students. . . . .	-	34,503
Total liabilities . . . . .	-	\$ 35,300
<b>Net position:</b>		
Held in trust for scholarships . . . . .	15,821	
Total net position. . . . .	\$ 15,821	

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, 2017

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 86
Total additions. . . . .	86
 <b>Deductions:</b>	
Scholarships awarded . . . . .	750
Change in net position . . . . .	(664)
<b>Net position at beginning of year. . . . .</b>	<b>16,485</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 15,821</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

**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 217th largest by enrollment among the 998 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 146 certified and 88 classified full-time and part-time employees to provide services to approximately 2,028 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, 2017

**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, 2017

**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 debt service principal and interest.

Permanent improvement fund - The Permanent Improvement fund is used to account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

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.



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

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

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

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets 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).

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

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, 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 Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

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

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

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

**E. Budgets**

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

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 2017.
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.

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

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

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

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 2017. 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.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. During fiscal year 2017, 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 2017 amounted to \$31,018, which includes \$28,825 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 investment account 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.

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

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

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

**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 2017. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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, 2017, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, 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.

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

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

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

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

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**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 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.

**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.

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

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

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

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

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

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

**M. Net Position**

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

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

**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.

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

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

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

**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.

**Q. Pensions**

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

**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 2017, 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 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 premiums are recognized in the current period.

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.



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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

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

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

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

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

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

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

**B. Deficit Fund Balances**

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

<u>Major fund</u>	<u>Deficit</u>
General fund	\$ 791,818
 <u>Nonmajor funds</u>	
District managed student activity	12,211
Alternative schools	3,184

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;
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;

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

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described 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 Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$4,550,325. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$250,000 of the District's bank balance of \$4,836,986 was covered by the Federal Deposit Insurance Corporation, while \$4,586,986 was exposed to custodial risk as discussed below.

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

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

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

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

**B. Investments**

The District had no investments at June 30, 2017.

**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 investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ <u>4,550,325</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,499,204
Private-purpose trust fund	15,821
Agency fund	<u>35,300</u>
Total	\$ <u>4,550,325</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 17,281</u>

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

Interfund loans between governmental funds are eliminated for reporting in the statement of net position.

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

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

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

- B.** Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 27,200
<u>Tranfers to bond retirement fund from:</u>	
General fund	151,205
<u>Tranfers to termination benefits fund from:</u>	
Nonmajor governmental fund	<u>34,974</u>
Total	<u>\$ 213,379</u>

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 transfers of \$34,974 were made between the food service fund (a nonmajor governmental fund) to the termination benefits fund. The termination benefits fund is considered part of the general fund on a GAAP basis.

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.

- C.** Due from/to other funds consisted of the following at June 30, 2017, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 47,461</u>

The balance resulted from a negative cash balance in the public school preschool fund (a nonmajor governmental fund), the alternative schools 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) and the miscellaneous federal grants fund (a nonmajor governmental fund) at fiscal year end. The balances are eliminated on the government-wide financial statements.

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

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

**NOTE 6 - PROPERTY TAXES**

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

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

The District receives property taxes from 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, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$275,105 in the general fund, \$96,130 in the debt service fund, \$16,110 in the permanent improvement fund and \$7,044 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$2,185,580 in the general fund, \$765,236 in the debt service fund, \$92,672 in the permanent improvement fund and \$32,417 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

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

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

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 245,746,780	95.01	\$ 246,860,920	95.39
Public utility personal	<u>12,895,670</u>	<u>4.99</u>	<u>11,928,930</u>	<u>4.61</u>
Total	<u>\$ 258,642,450</u>	<u>100.00</u>	<u>\$ 258,789,850</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	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2017 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	\$ 7,030,884
Accounts	9,563
Intergovernmental	<u>632,394</u>
Total	<u>\$ 7,672,841</u>

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

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

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

**NOTE 8 - CAPITAL ASSETS**

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

	Balance			Balance
	<u>06/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/17</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,205,750	\$ -	\$ -	\$ 1,205,750
Construction in progress	-	1,746,411	-	1,746,411
<i>Total capital assets, not being depreciated</i>	<u>1,205,750</u>	<u>1,746,411</u>	<u>-</u>	<u>2,952,161</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,496,393	54,800	-	2,551,193
Buildings and improvements	71,002,087	-	-	71,002,087
Equipment and furniture	4,000,835	124,702	-	4,125,537
Vehicles	2,027,208	-	(56,341)	1,970,867
<i>Total capital assets, being depreciated</i>	<u>79,526,523</u>	<u>179,502</u>	<u>(56,341)</u>	<u>79,649,684</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,221,338)	(105,054)	-	(1,326,392)
Buildings and improvements	(10,570,404)	(1,430,996)	-	(12,001,400)
Equipment and furniture	(1,775,035)	(290,900)	-	(2,065,935)
Vehicles	(1,710,748)	(84,463)	56,341	(1,738,870)
<i>Total accumulated depreciation</i>	<u>(15,277,525)</u>	<u>(1,911,413)</u>	<u>56,341</u>	<u>(17,132,597)</u>
Total capital assets, net	<u>\$ 65,454,748</u>	<u>\$ 14,500</u>	<u>\$ -</u>	<u>\$ 65,469,248</u>

Depreciation expense was charged to the governmental functions as follows:

<b><u>Instruction:</u></b>	
Regular	\$ 919,371
Special	533,551
Vocational	10,840
<b><u>Support services:</u></b>	
Pupil	111,031
Instructional staff	57,406
Administration	120,750
Pupil transportation	84,463
<b><u>Operation of non-instructional services:</u></b>	
Food service operations	37,154
Extracurricular activities	<u>36,847</u>
Total depreciation expense	<u>\$ 1,911,413</u>



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

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

**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, 2017 was \$100,813, leaving a current book value of \$100,810. A corresponding liability was recorded in the statement of net position. During fiscal year 2017, the District made principal payments of \$39,204, 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, 2017:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 45,815
2019	45,815
2020	<u>26,725</u>
Total	118,355
Less: amount representing interest	<u>(7,541)</u>
Present value of minimum lease payments	<u>\$ 110,814</u>

- B. In the current fiscal year, the District entered into a lease purchase agreement in the amount of \$226,680 with Lease Finance Group, 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 and the data communication fund (a nonmajor governmental fund). At June 30, 2017, \$176,965 in principal was outstanding on the lease purchase agreement.

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, 2017:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 49,715
2019	49,715
2020	49,715
2021	<u>49,715</u>
Total	198,860
Less: amount representing interest	<u>(21,895)</u>
Present value of minimum lease payments	<u>\$ 176,965</u>

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

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

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

<u>Governmental activities:</u>	Balance <u>6/30/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/17</u>	Amounts Due <u>In One Year</u>
Refunding bonds, series 2016					
Current interest bonds	\$ 2,360,000	\$ -	\$ (750,000)	\$ 1,610,000	\$ 740,000
Refunding bonds, series 2013					
Current interest bonds	15,745,000	-	(220,000)	15,525,000	225,000
Capital appreciation bonds	242,617	-	(30,921)	211,696	20,189
Accreted interest	587,843	331,134	(134,079)	784,898	113,152
Energy conservation bonds, series 2016	-	2,081,953	(99,406)	1,982,547	121,144
Capital lease	150,018	-	(39,204)	110,814	41,210
Lease purchase agreement	-	226,680	(49,715)	176,965	41,159
Net pension liability	29,546,768	5,122,751	-	34,669,519	-
Compensated absences	<u>1,280,286</u>	<u>74,586</u>	<u>(164,378)</u>	<u>1,190,494</u>	<u>113,519</u>
Total	<u>\$ 49,912,532</u>	<u>\$ 7,837,104</u>	<u>\$ (1,487,703)</u>	56,261,933	<u>\$ 1,415,373</u>
Unamortized premium				<u>2,323,095</u>	
Total on statement of net position				<u>\$ 58,585,028</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.

**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.

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

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

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

This issue is comprised of current interest bonds, par value \$15,525,000 at June 30, 2017, and capital appreciation bonds, par value \$211,696. The capital appreciation bonds mature December 1, 2017, 2018, 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 \$3,430,000. Total accreted interest of \$784,898 has been included on the statement of net position at June 30, 2017.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 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, par value \$1,610,000 at June 30, 2017. 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. Capital assets of \$1,517,498 has been reported in construction in progress at June 30, 2017.

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

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

**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
	2018	\$ 225,000	\$ 386,993	\$ 611,993	\$ 20,189	\$ 144,811
2019	225,000	383,056	608,056	13,182	151,818	165,000
2020	-	380,806	380,806	134,660	975,340	1,110,000
2021	200,000	378,806	578,806	34,731	985,269	1,020,000
2022	1,225,000	364,556	1,589,556	-	-	-
2023 - 2027	6,530,000	1,431,800	7,961,800	-	-	-
2028 - 2032	6,295,000	676,047	6,971,047	8,934	961,066	970,000
2033	825,000	13,406	838,406	-	-	-
Total	<u>\$ 15,525,000</u>	<u>\$ 4,015,470</u>	<u>\$ 19,540,470</u>	<u>\$ 211,696</u>	<u>\$ 3,218,304</u>	<u>\$ 3,430,000</u>

Fiscal Year Year Ended	Series 2016 Current Interest Bonds			Energy Conservation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
	2018	\$ 740,000	\$ 47,864	\$ 787,864	\$ 121,144	\$ 58,581
2019	770,000	18,721	788,721	124,805	54,920	179,725
2020	100,000	1,930	101,930	128,578	51,148	179,726
2021	-	-	-	132,464	47,262	179,726
2022	-	-	-	136,468	43,258	179,726
2023 - 2027	-	-	-	746,767	151,874	898,641
2028 - 2031	-	-	-	592,321	36,067	628,388
Total	<u>\$ 1,610,000</u>	<u>\$ 68,515</u>	<u>\$ 1,678,515</u>	<u>\$ 1,982,547</u>	<u>\$ 443,110</u>	<u>\$ 2,425,657</u>

**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.

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

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

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

In accordance with the above calculations, as of June 30, 2017, the District has a legal voted debt margin of \$8,335,362, the legal unvoted debt margin was \$258,790, and the legal energy conservation debt margin was \$346,562.

**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 2017, 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 \$82,993,697 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 2017, 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.

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.

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

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

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

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 –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	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

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

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

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

The District's contractually required contribution to SERS was \$355,461 for fiscal year 2017. Of this amount, \$19,457 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](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 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

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

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

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

The District's contractually required contribution to STRS was \$1,198,694 for fiscal year 2017. Of this amount, \$199,636 is reported as pension and postemployment benefits payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.09164670%	0.08798803%	
Proportion of the net pension liability current measurement date	<u>0.09021180%</u>	<u>0.08384918%</u>	
Change in proportionate share	<u>-0.00143490%</u>	<u>-0.00413885%</u>	
Proportionate share of the net pension liability	\$ 6,602,671	\$ 28,066,848	\$ 34,669,519
Pension expense	\$ 692,162	\$ 1,923,135	\$ 2,615,297



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

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

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

At June 30, 2017, 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	\$ 89,054	\$ 1,134,035	\$ 1,223,089
Net difference between projected and actual earnings on pension plan investments	544,625	2,330,303	2,874,928
Changes of assumptions	440,764	-	440,764
Difference between District contributions and proportionate share of contributions/change in proportionate share	44,494	202,973	247,467
District contributions subsequent to the measurement date	<u>355,461</u>	<u>1,198,694</u>	<u>1,554,155</u>
Total deferred outflows of resources	<u>\$ 1,474,398</u>	<u>\$ 4,866,005</u>	<u>\$ 6,340,403</u>
<b>Deferred inflows of resources</b>			
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>\$ 65,262</u>	<u>\$ 945,558</u>	<u>\$ 1,010,820</u>
Total deferred inflows of resources	<u>\$ 65,262</u>	<u>\$ 945,558</u>	<u>\$ 1,010,820</u>

\$1,554,155 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 265,761	\$ 379,777	\$ 645,538
2019	265,366	379,775	645,141
2020	365,988	1,273,977	1,639,965
2021	<u>156,560</u>	<u>688,224</u>	<u>844,784</u>
Total	<u>\$ 1,053,675</u>	<u>\$ 2,721,753</u>	<u>\$ 3,775,428</u>

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

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

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

*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, 2016, are presented below:

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

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

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

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

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

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

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:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 8,741,525	\$ 6,602,671	\$ 4,812,362

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

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

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

*Actuarial Assumptions - STRS*

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 37,298,560	\$ 28,066,848	\$ 20,279,354

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

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$45,072.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$45,072, \$44,620, and \$66,496, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

**B. State Teachers Retirement System**

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

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

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

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

**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).

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	\$ (184,013)
Net adjustment for revenue accruals	(1,868,898)
Net adjustment for expenditure accruals	81,786
Net adjustment for other sources/uses	(64,245)
Funds budgeted elsewhere	31,548
Adjustment for encumbrances	235,968
GAAP basis	<u>\$ (1,767,854)</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.

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

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

**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. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**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.



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

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	374,656
Current year offsets	(363,590)
Prior year offset from bond proceeds	<u>(11,066)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<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 amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$23,168,383 at June 30, 2017.

**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	\$ 149,909
Permanent improvement	190,254
Other governmental	<u>74,732</u>
Total	<u>\$ 414,895</u>

**NOTE 18 - FISCAL ANALYSIS**

In March 2017, the District was released from Fiscal Caution by the Ohio Department of Education (ODE).

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**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 PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.09021180%	0.09164670%	0.08994200%	0.08994200%
District's proportionate share of the net pension liability	\$ 6,602,671	\$ 5,229,450	\$ 4,551,913	\$ 5,348,562
District's covered-employee payroll	\$ 2,758,900	\$ 2,759,044	\$ 2,613,535	\$ 2,496,062
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	239.32%	189.54%	174.17%	214.28%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

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

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

**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 FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.08384918%	0.08798803%	0.08680476%	0.08680476%
District's proportionate share of the net pension liability	\$ 28,066,848	\$ 24,317,318	\$ 21,113,922	\$ 25,150,765
District's covered-employee payroll	\$ 8,765,600	\$ 9,180,079	\$ 8,869,054	\$ 9,507,708
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	320.19%	264.89%	238.06%	264.53%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

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

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 355,461	\$ 386,246	\$ 363,642	\$ 362,236
Contributions in relation to the contractually required contribution	<u>(355,461)</u>	<u>(386,246)</u>	<u>(363,642)</u>	<u>(362,236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,539,007	\$ 2,758,900	\$ 2,759,044	\$ 2,613,535
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 345,455	\$ 343,317	\$ 318,999	\$ 334,294	\$ 226,176	\$ 223,362
<u>(345,455)</u>	<u>(343,317)</u>	<u>(318,999)</u>	<u>(334,294)</u>	<u>(226,176)</u>	<u>(223,362)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,496,062	\$ 2,552,543	\$ 2,537,780	\$ 2,468,936	\$ 2,298,537	\$ 2,274,562
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,198,694	\$ 1,227,184	\$ 1,285,211	\$ 1,152,977
Contributions in relation to the contractually required contribution	<u>(1,198,694)</u>	<u>(1,227,184)</u>	<u>(1,285,211)</u>	<u>(1,152,977)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,562,100	\$ 8,765,600	\$ 9,180,079	\$ 8,869,054
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%



<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ 1,236,002	\$ 1,249,428	\$ 1,300,548	\$ 1,363,969	\$ 1,321,998	\$ 1,338,328
(1,236,002)	(1,249,428)	(1,300,548)	(1,363,969)	(1,321,998)	(1,338,328)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,507,708	\$ 9,610,985	\$ 10,004,215	\$ 10,492,069	\$ 10,169,215	\$ 10,294,831
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

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

*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.

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

## **SUPPLEMENTARY INFORMATION**

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**GALLIPOLIS CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Grant Cluster:</b>			
(D) (E) School Breakfast Program	10.553	2017	\$ 165,535
(D) (E) National School Lunch Program	10.555	2017	452,311
(C) (D) National School Lunch Program - Food Donation	10.555	2017	46,576
<b>Total National School Lunch Program</b>			<b>498,887</b>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			<b>664,422</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Title I Grant:</b>			
Title I Grants to Local Educational Agencies	84.010	2016	100,436
Title I Grants to Local Educational Agencies	84.010	2017	867,345
<b>Total Title I Grants to Local Educational Agencies</b>			<b>967,781</b>
<b>Special Education Grant Cluster:</b>			
(F) Special Education_Grants to States	84.027	2016	67,729
(F) Special Education_Grants to States	84.027	2017	501,165
<b>Total Special Education_Grants to States</b>			<b>568,894</b>
(F) Special Education_Preschool Grants	84.173	2016	2,043
(F) Special Education_Preschool Grants	84.173	2017	10,987
<b>Total Special Education_Preschool Grants</b>			<b>13,030</b>
<b>Total Special Education Grant Cluster</b>			<b>581,924</b>
Rural Education	84.358	2017	44,513
Improving Teacher Quality State Grants	84.367	2016	17,311
Improving Teacher Quality State Grants	84.367	2017	112,633
<b>Total Improving Teach Quality State Grants</b>			<b>129,944</b>
<b>Total U.S. Department of Education</b>			<b>1,724,162</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 2,388,584</b>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2017.
- (B) This schedule includes the federal award activity of the Gallipolis City School District under programs of the federal government for the fiscal year ended June 30, 2017 and is prepared in accordance with the cash basis of accounting. 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 Gallipolis City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Gallipolis City School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimus indirect cost rate.

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

**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, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Gallipolis City School District's basic financial statements and have issued our report thereon dated December 18, 2017.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Gallipolis City School 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 Gallipolis City School 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 Gallipolis City School 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.

Board of Education  
Gallipolis City School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Gallipolis City School 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 Gallipolis City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Gallipolis City School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
December 18, 2017





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

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

**Independent Auditor's Report 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 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 Gallipolis City School District's major federal program for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Gallipolis City School District's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the Gallipolis City School District's compliance for the Gallipolis City School 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 Gallipolis City School 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 Gallipolis City School District's major program. However, our audit does not provide a legal determination of the Gallipolis City School District's compliance.

Board of Education  
Gallipolis City School District

***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 fiscal year ended June 30, 2017.

***Report on Internal Control Over Compliance***

The Gallipolis City School 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 Gallipolis City School 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 Gallipolis City School 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.



Julian & Grube, Inc.  
December 18, 2017

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Grant Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR §200.516(a)?</i>	Yes

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

None

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

None

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# Dave Yost • Auditor of State

**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 20, 2018**