



OHIO AUDITOR OF STATE  
**KEITH FABER**





**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY  
JUNE 30, 2020**

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GALLIA COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Gallia County Local School District  
Gallia County  
4836 State Route 325  
Patriot, Ohio 45658

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 Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 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 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 the Gallia County Local School District, Gallia County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 26 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-employment Benefit Liabilities/Assets and Pension and Other Post-employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of the 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 School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 24, 2021

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**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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The discussion and analysis of the Gallia County Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2020 are as follows:

- Net position of governmental activities decreased \$104,317.
- General revenues accounted for \$28,009,425 in revenue or 77% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$8,252,904 or 23% of total revenues of \$36,262,329.
- The School District had \$36,366,646 in expenses related to governmental activities; only \$8,252,904 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$28,009,425 were not adequate to provide for these programs.
- The School District has three major funds: the General Fund, the Bond Retirement Fund, and the Permanent Improvement Fund. All governmental funds had total revenue and other financing sources in the amount of \$36,654,813 and expenditures in the amount of \$34,510,341.

**USING THIS ANNUAL FINANCIAL REPORT**

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 Gallia County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 as the School District's most significant funds with all other non-major funds presented in total in one column.

***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School 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, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund and the Permanent Improvement Capital Projects Fund.

**Governmental Funds.** Most of the School 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 fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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 financial statements.

**Proprietary Funds.** The School District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the School District reports it as a proprietary fund using the full accrual basis of accounting. Since the internal service fund exclusively benefits governmental functions, it has been included with governmental activities in the government-wide financial statements. The School District's Internal Service Fund was previously used to account for excess coverage for claims in excess of contract amounts for medical, life and dental benefits. The balance remaining in the fund is being utilized to pay administrative costs for the School District's Flexible Spending Account.

**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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2020 compared to 2019.

Table 1  
Net Position

	Governmental Activities	
	2020	2019
<b>Assets:</b>		
Current and Other Assets	\$ 32,154,849	\$ 30,946,669
Net OPEB Asset	1,673,792	1,647,328
Capital Assets, Net	47,677,568	49,115,450
Total Assets	<u>81,506,209</u>	<u>81,709,447</u>
<b>Deferred Outflows of Resources:</b>		
Pensions and OPEB	7,390,131	9,631,440
Unamortized Deferred Amount on Refunding	1,694,160	1,819,654
Total Deferred Outflows of Resources	<u>9,084,291</u>	<u>11,451,094</u>
<b>Liabilities:</b>		
Current and Other Liabilities	2,347,654	2,440,543
Long-Term Liabilities:		
Due Within One Year	1,816,686	1,834,581
Due in More than One Year:		
Net Pension Liabilities	29,280,442	28,889,980
Net OPEB Liabilities	2,943,136	3,114,407
Other Amounts	34,739,294	36,571,529
Total Liabilities	<u>71,127,212</u>	<u>72,851,040</u>
<b>Deferred Inflows of Resources:</b>		
Pensions and OPEB	4,498,202	4,798,319
Property Taxes not Levied to Finance Current Year Operations	12,872,587	13,314,366
Total Deferred Inflows of Resources	<u>17,370,789</u>	<u>18,112,685</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	14,827,179	14,048,554
Restricted	13,332,005	13,198,351
Unrestricted	<u>(26,066,685)</u>	<u>(25,050,089)</u>
Total Net Position	<u>\$ 2,092,499</u>	<u>\$ 2,196,816</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other post-employment benefits (OPEB) liability (asset) is another significant liability (asset) reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, it will be reported in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

Total net position of the School District decreased in the amount of \$104,317. The increase to current and other assets is primarily due to an increase in cash and cash equivalents. The increases to cash equivalents are due to cash basis revenues exceeding cash basis expenditures. Capital assets, net decreased due to current year depreciation expense and deletions, which were partially offset by current year additions. Deferred outflows of resources decreased primarily due to pension and OPEB activity. Long-term liabilities decreased primarily due to payments for debt obligations. Deferred inflows of resources decreased primarily due to property taxes not levied to finance current year operations and pension activity.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2020  
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2020, as compared with 2019.

Table 2  
Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 2,895,949	\$ 2,748,077
Operating Grants and Contributions	5,356,955	5,415,693
Total Program Revenues	<u>8,252,904</u>	<u>8,163,770</u>
General Revenues		
Property Taxes	15,027,412	15,292,687
Grants and Entitlements, Not Restricted	12,521,502	12,454,256
Investment Earnings	89,524	44,808
Insurance Recoveries	199,441	126,590
Miscellaneous	171,546	434,880
Total General Revenues	<u>28,009,425</u>	<u>28,353,221</u>
Total Revenues	<u>36,262,329</u>	<u>36,516,991</u>
<b>Program Expenses</b>		
Instruction:		
Regular	16,296,975	14,835,837
Special	4,570,164	3,646,311
Vocational	508,566	474,316
Other	4,205	12,991
Support Services:		
Pupil	1,145,516	846,253
Instructional Staff	900,880	706,721
Board of Education	88,668	133,681
Administration	2,760,520	2,499,082
Fiscal	865,482	905,224
Business	39,810	38,725
Operation and Maintenance of Plant	2,381,140	2,473,325
Pupil Transportation	2,654,394	2,762,184
Central	870,410	849,380
Operation of Non-Instructional Services	1,196,239	1,213,242
Extracurricular Activities	770,688	731,441
Interest and Fiscal Charges	1,312,989	1,355,914
Total Expenses	<u>36,366,646</u>	<u>33,484,627</u>
Increase (Decrease) in Net Position	(104,317)	3,032,364
Net Position (Deficit) Beginning of Year	2,196,816	(835,548)
Net Position (Deficit) End of Year	<u>\$ 2,092,499</u>	<u>\$ 2,196,816</u>

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

Charges for services increased due to increased monies received for tuition and fees. Miscellaneous revenues decreased due to additional reimbursements received during the previous fiscal year. Overall expenses increased primarily due to pension and OPEB activity.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions. Table 3 shows the total cost of services and the net cost of services for 2020 as compared with 2019. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>
Program Expenses				
Instruction:				
Regular	\$16,296,975	\$14,528,488	\$14,835,837	\$13,364,765
Special	4,570,164	1,996,012	3,646,311	815,449
Vocational	508,566	397,364	474,316	366,746
Other	4,205	3,785	12,991	11,686
Support Services:				
Pupil	1,145,516	629,025	846,253	734,684
Instructional Staff	900,880	392,264	706,721	159,650
Board of Education	88,668	80,247	133,681	120,705
Administration	2,760,520	2,272,173	2,499,082	2,164,989
Fiscal	865,482	791,269	905,224	787,882
Business	39,810	35,838	38,725	34,834
Operation and Maintenance of Plant	2,381,140	2,080,162	2,473,325	2,197,131
Pupil Transportation	2,654,394	2,309,955	2,762,184	2,413,291
Central	870,410	518,227	849,380	541,674
Operation of Non-Instructional Services	1,196,239	271,443	1,213,242	(117,854)
Extracurricular Activities	770,688	494,501	731,441	369,311
Interest and Fiscal Charges	1,312,989	1,312,989	1,355,914	1,355,914
Total	<u>\$36,366,646</u>	<u>\$28,113,742</u>	<u>\$33,484,627</u>	<u>\$25,320,857</u>

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The most significant increase in fund balance was in the General Fund in the amount of \$1,591,719 due to revenues and other financing sources exceeding expenditures. The General Fund had \$26,757,539 in revenues and other financing sources and \$25,165,820 in expenditures.

The Bond Retirement Fund had a fund balance increase of \$669,832. The Bond Retirement Fund had \$4,058,999 in revenues and \$3,389,167 in expenditures.

The Permanent Improvement Fund had an increase in fund balance in the amount of \$6,996. The Permanent Improvement Fund had \$762,506 in revenues and \$755,510 in expenditures.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2020, the School District amended its General Fund appropriation budget.

For the General Fund, final budgeted appropriations were \$27,510,162, which is below original estimates of \$29,596,925. The variance of \$889,423 between final budgeted appropriations and actual expenditures was due to conservative budgeting by the School District for administration, operation of maintenance of plant, and pupil transportation. For the General Fund, original estimated revenues were \$242,472 less than final estimated revenues. Final estimated revenues were below actual amounts in the amount of \$119,391 due primarily to tax revenue, which was partially offset by a decrease to intergovernmental revenue.

The School District's ending unobligated General Fund balance was \$3,410,978.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2020, the School District had \$47,677,568 invested in land and land improvements, buildings and improvements, furniture and equipment, infrastructure, and vehicles. Table 4 shows fiscal year 2020 balances compared to 2019.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2020	2019
Land and Land Improvements	\$1,070,599	\$1,345,110
Buildings and Improvements	44,214,003	45,666,841
Furniture and Equipment	1,068,068	821,413
Infrastructure	35,689	38,276
Vehicles	1,289,209	1,243,810
Totals	\$47,677,568	\$49,115,450

Changes in capital assets from the prior year resulted from additions, deletions, and current year depreciation. For additional information on capital assets, see Note 8 to the basic financial statements.

***Debt***

At June 30, 2020, the School District had general obligation and QZAB bonds outstanding of \$32,065,000, excluding the premium of \$2,892,305. For additional information on debt, see Note 13 to the basic financial statements.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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**ECONOMIC FACTORS**

Gallia County Local School District is financially stable. As the preceding information shows, the School District depends upon the State School Foundation Program and property taxes for the majority of the School District's revenues. Gallia County Local School District will continue to strive to apply conservative spending habits in order to maintain its healthy financial situation. The School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

**OTHER SIGNIFICANT INFORMATION**

As described in Note 26, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lily Blevins, Treasurer at Gallia County Local School District, 4836 State Route 325, Patriot, Ohio 45658.



**Gallia County Local School District**  
*Statement of Net Position*  
*June 30, 2020*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 17,135,693
Accounts Receivable	10,453
Accrued Interest Receivable	9,268
Due from Agency Fund	3,373
Intergovernmental Receivable	929,562
Property Taxes Receivable	14,066,500
Net OPEB Asset	1,673,792
Nondepreciable Capital Assets	603,724
Depreciable Capital Assets, Net	47,073,844
<i>Total Assets</i>	81,506,209
<b>Deferred Outflows of Resources</b>	
Pensions:	
State Teachers Retirement System	5,509,403
School Employees Retirement System	1,150,947
OPEB:	
State Teachers Retirement System	314,639
School Employees Retirement System	415,142
Unamortized Deferred Amount on Refunding	1,694,160
<i>Total Deferred Outflows of Resources</i>	9,084,291
<b>Liabilities</b>	
Accounts Payable	120,660
Accrued Wages and Benefits Payable	1,610,585
Intergovernmental Payable	342,363
Accrued Interest Payable	230,142
Matured Compensated Absences Payable	43,904
Non-Current Liabilities:	
Due Within One Year	1,816,686
Due in More Than One Year:	
Net Pension Liability (See Note 10)	29,280,442
Net OPEB Liability (See Note 11)	2,943,136
Other Amounts Due in More Than One Year	34,739,294
<i>Total Liabilities</i>	71,127,212
<b>Deferred Inflows of Resources</b>	
Pensions:	
State Teachers Retirement System	1,296,201
School Employees Retirement System	252,437
OPEB:	
State Teachers Retirement System	2,053,829
School Employees Retirement System	895,735
Property Taxes not Levied to Finance Current Year Operations	12,872,587
<i>Total Deferred Inflows of Resources</i>	17,370,789
<b>Net Position</b>	
Net Investment in Capital Assets	14,827,179
Restricted for:	
Debt Service	5,437,978
Capital Projects	7,627,651
Food Service	76,558
Other Purposes	91,024
Contributions:	
Expendable	6,794
Non-Expendable	92,000
Unrestricted	(26,066,685)
<i>Total Net Position</i>	\$ 2,092,499

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 16,296,975	\$ 1,406,026	\$ 362,461	\$ (14,528,488)
Special	4,570,164	296,432	2,277,720	(1,996,012)
Vocational	508,566	50,634	60,568	(397,364)
Other	4,205	420	-	(3,785)
Support Services:				
Pupil	1,145,516	58,155	458,336	(629,025)
Instructional Staff	900,880	25,728	482,888	(392,264)
Board of Education	88,668	8,421	-	(80,247)
Administration	2,760,520	245,297	243,050	(2,272,173)
Fiscal	865,482	74,213	-	(791,269)
Business	39,810	3,972	-	(35,838)
Operation and Maintenance of Plant	2,381,140	227,390	73,588	(2,080,162)
Pupil Transportation	2,654,394	226,930	117,509	(2,309,955)
Central	870,410	49,810	302,373	(518,227)
Operation of Non-Instructional Services	1,196,239	31,959	892,837	(271,443)
Extracurricular Activities	770,688	190,562	85,625	(494,501)
Interest and Fiscal Charges	1,312,989	-	-	(1,312,989)
<b>Totals</b>	<b>\$ 36,366,646</b>	<b>\$ 2,895,949</b>	<b>\$ 5,356,955</b>	<b>(28,113,742)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				10,630,822
Debt Service				3,871,986
Permanent Improvements				524,604
Grants and Entitlements not Restricted to Specific Programs				12,521,502
Investment Earnings				89,524
Insurance Recoveries				199,441
Miscellaneous				171,546
<b>Total General Revenues</b>				<b>28,009,425</b>
<b>Change in Net Position</b>				<b>(104,317)</b>
<b>Net Position Beginning of Year</b>				<b>2,196,816</b>
<b>Net Position End of Year</b>				<b>\$ 2,092,499</b>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2020*

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,961,124	\$ 5,131,884	\$ 7,442,411	\$ 503,652	\$ 17,039,071
Receivables:					
Property Taxes	9,961,093	3,606,349	499,058	-	14,066,500
Accounts	10,453	-	-	-	10,453
Accrued Interest	9,111	-	-	157	9,268
Interfund	358,351	-	-	-	358,351
Intergovernmental	435,571	-	-	493,991	929,562
<i>Total Assets</i>	<u>\$ 14,735,703</u>	<u>\$ 8,738,233</u>	<u>\$ 7,941,469</u>	<u>\$ 997,800</u>	<u>\$ 32,413,205</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 110,213	\$ -	\$ 2,680	\$ 7,767	\$ 120,660
Accrued Wages and Benefits Payable	1,370,240	-	-	240,345	1,610,585
Interfund Payable	-	-	-	354,978	354,978
Matured Compensated Absences Payable	42,204	-	-	1,700	43,904
Intergovernmental Payable	290,194	-	-	52,169	342,363
<i>Total Liabilities</i>	<u>1,812,851</u>	<u>-</u>	<u>2,680</u>	<u>656,959</u>	<u>2,472,490</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes not Levied to Finance					
Current Year Operations	9,115,632	3,300,255	456,700	-	12,872,587
Unavailable Revenue - Delinquent Taxes	730,061	264,314	36,577	-	1,030,952
Unavailable Revenue - Grants	-	-	-	32,555	32,555
<i>Total Deferred Inflows of Resources</i>	<u>9,845,693</u>	<u>3,564,569</u>	<u>493,277</u>	<u>32,555</u>	<u>13,936,094</u>
<b>Fund Balances</b>					
Nonspendable	4,597	-	-	92,000	96,597
Restricted	-	5,173,664	7,445,512	339,999	12,959,175
Assigned	473,578	-	-	-	473,578
Unassigned (Deficit)	2,598,984	-	-	(123,713)	2,475,271
<i>Total Fund Balances</i>	<u>3,077,159</u>	<u>5,173,664</u>	<u>7,445,512</u>	<u>308,286</u>	<u>16,004,621</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 14,735,703</u>	<u>\$ 8,738,233</u>	<u>\$ 7,941,469</u>	<u>\$ 997,800</u>	<u>\$ 32,413,205</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2020*

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**Total Governmental Fund Balances** \$ 16,004,621

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 47,677,568

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	1,030,952	
Intergovernmental	32,555	

Total 1,063,507

The net pension/OPEB liability (asset) is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.

Deferred outflows of resources related to pensions and OPEB	7,390,131	
Deferred inflows of resources related to pensions and OPEB	(4,498,202)	
Net Pension Liability	(29,280,442)	
Net OPEB Asset	1,673,792	
Net OPEB Liability	(2,943,136)	

Total (27,657,857)

An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

96,622

Long-term liabilities, including bonds, premiums, capital leases, accrued interest payable, unamortized deferred amount on refunding, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(230,142)	
Compensated Absences	(1,512,243)	
Capital Lease Obligations	(86,432)	
General Obligation Bonds	(29,565,000)	
QZAB Bonds	(2,500,000)	
Premium on Bonds	(2,892,305)	
Unamortized Deferred Amount on Refunding	1,694,160	

Total (35,091,962)

**Net Position of Governmental Activities** \$ 2,092,499

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2020*

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 10,470,960	\$ 3,814,369	\$ 516,537	\$ -	\$ 14,801,866
Intergovernmental	13,079,456	244,630	245,969	4,926,432	18,496,487
Investment Earnings	87,765	-	-	1,759	89,524
Charges for Services	165,741	-	-	27,453	193,194
Tuition and Fees	2,561,614	-	-	-	2,561,614
Extracurricular Activities	35,131	-	-	106,010	141,141
Miscellaneous	157,431	-	-	14,115	171,546
<i>Total Revenues</i>	<u>26,558,098</u>	<u>4,058,999</u>	<u>762,506</u>	<u>5,075,769</u>	<u>36,455,372</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	13,140,987	132,921	25,125	443,622	13,742,655
Special	2,616,330	-	-	1,580,601	4,196,931
Vocational	465,805	-	-	-	465,805
Other	4,205	-	-	-	4,205
Support Services:					
Pupil	521,815	-	-	524,501	1,046,316
Instructional Staff	234,921	-	29,777	592,601	857,299
Board of Education	83,502	-	-	-	83,502
Administration	2,211,767	-	-	295,690	2,507,457
Fiscal	688,980	107,389	14,370	-	810,739
Business	37,916	-	-	-	37,916
Operation and Maintenance of Plant	2,139,347	-	447	90,347	2,230,141
Pupil Transportation	2,099,362	-	-	144,271	2,243,633
Central	445,811	-	-	371,236	817,047
Operation of Non-Instructional Services	-	-	43,115	1,052,729	1,095,844
Extracurricular Activities	452,096	-	-	104,246	556,342
Capital Outlay	22,976	-	642,676	-	665,652
Debt Service:					
Principal	-	1,740,492	-	-	1,740,492
Interest and Fiscal Charges	-	1,408,365	-	-	1,408,365
<i>Total Expenditures</i>	<u>25,165,820</u>	<u>3,389,167</u>	<u>755,510</u>	<u>5,199,844</u>	<u>34,510,341</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,392,278</u>	<u>669,832</u>	<u>6,996</u>	<u>(124,075)</u>	<u>1,945,031</u>
<b>Other Financing Sources (Uses)</b>					
Insurance Recoveries	199,441	-	-	-	199,441
<i>Total Other Financing Sources (Uses)</i>	<u>199,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,441</u>
<i>Net Change in Fund Balances</i>	1,591,719	669,832	6,996	(124,075)	2,144,472
<i>Fund Balances Beginning of Year</i>	<u>1,485,440</u>	<u>4,503,832</u>	<u>7,438,516</u>	<u>432,361</u>	<u>13,860,149</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,077,159</u>	<u>\$ 5,173,664</u>	<u>\$ 7,445,512</u>	<u>\$ 308,286</u>	<u>\$ 16,004,621</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*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, 2020*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 2,144,472

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.

Capital Asset Additions	623,615	
Current Year Depreciation	(2,061,497)	
<b>Total</b>	<b>(1,437,882)</b>	(1,437,882)

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

Taxes	225,546	
Intergovernmental	(618,030)	
<b>Total</b>	<b>(392,484)</b>	(392,484)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:

Amortization of bond premium	214,245	
Amortization of deferred amount on refunding	(125,494)	
<b>Total</b>	<b>88,751</b>	88,751

Repayment of long-term debt and capital leases is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,740,492

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 2,356,705

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB (asset) liability are reported as pension/OPEB expense in the statement of activities. (4,490,624)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (15,765)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(104,607)	
Decrease in Accrued Interest Payable	6,625	
<b>Total</b>	<b>(97,982)</b>	(97,982)

**Net Change in Net Position of Governmental Activities** **\$ (104,317)**

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual*  
*(Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$ 27,083,407	\$ 27,325,879	\$ 27,445,270	\$ 119,391
Total Expenditures and Other Uses	<u>29,596,925</u>	<u>27,510,162</u>	<u>26,620,739</u>	<u>889,423</u>
Net Change in Fund Balance	(2,513,518)	(184,283)	824,531	1,008,814
Fund Balance, July 1	2,084,525	2,084,525	2,084,525	-
Prior Year Encumbrances Appropriated	<u>501,922</u>	<u>501,922</u>	<u>501,922</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 72,929</u>	<u>\$ 2,402,164</u>	<u>\$ 3,410,978</u>	<u>\$ 1,008,814</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Fund Net Position*  
*Governmental Activities*  
*Internal Service Fund*  
*June 30, 2020*

	Internal Service Fund
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 96,622
<i>Total Assets</i>	96,622
<b>Net Position</b>	
Unrestricted	96,622
<i>Total Net Position</i>	\$ 96,622

The notes to the basic financial statements are an integral part of this statement.



**Gallia County Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Postion*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2020

	Internal Service Fund
OPERATING REVENUES:	
Other Revenues	\$ -
<i>Total Operating Revenues</i>	-
<b>Operating Expense</b>	
Purchased Services	\$ 15,765
<i>Total Operating Expense</i>	15,765
<i>Changes in Net Postion</i>	(15,765)
<i>Net Postion at Beginning of Year</i>	112,387
<i>Net Postion at End of Year</i>	\$ 96,622

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Cash Flows*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2020

	<u>Internal Service Fund</u>
<b><i>Decrease in Cash, Cash Equivalents and Investments</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Payments for Purchased Services	<u>\$ (15,765)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(15,765)</u>
Decrease in Cash, Cash Equivalents and Investments	(15,765)
Cash, Cash Equivalents and Investments at Beginning of Year	<u>112,387</u>
Cash, Cash Equivalents and Investments at End of Year	<u><u>\$ 96,622</u></u>
<b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>	
Operating Loss	<u>\$ (15,765)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (15,765)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2020*

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 25,320	\$ 109,192
Cash and Cash Equivalents with Fiscal Agent	-	4,644
Total Assets	<u>\$ 25,320</u>	<u>\$ 113,836</u>
<b>Liabilities</b>		
Interfund Payable	\$ -	\$ 3,373
Undistributed Monies	-	110,463
Total Liabilities	<u>\$ -</u>	<u>\$ 113,836</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$ 25,320</u>	

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Private Purpose Trust Fund
<b>Additions</b>	
Gifts and Contributions	\$ 2,100
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	1,300
<i>Change in Net Position</i>	800
<i>Net Position Beginning of Year</i>	24,520
<i>Net Position End of Year</i>	\$ 25,320

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Gallia County Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District provides educational services as authorized by State statute and/or federal guidelines. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the School District's seven (7) instructional support facilities staffed by 103 non-certificated and 190 certified personnel providing education to approximately 2,219 students.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Gallia County Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organization
- Booster Club

The School District is associated with seven organizations, five of which are defined as jointly governed organizations, one is a risk sharing pool, and one is an insurance purchasing pool. These organizations are the Metropolitan Educational Technology Association (META) Solutions, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Educational Regional Service System, the Coalition of Rural and Appalachian Schools, the Schools of Ohio Risk Sharing Authority, Inc., and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 19 to the basic financial statements.

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

The financial statements of the School 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 more significant of the School District's accounting policies are described below.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the 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 which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Proprietary and fiduciary funds are reported by type.

***B. Fund Accounting***

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

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

***General Fund*** The General Fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

***Bond Retirement Fund*** The Bond Retirement Fund is a fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund. The primary source of revenue for this fund is property tax revenue.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

*Permanent Improvement Fund* The Permanent Improvement Fund is a fund provided for capital improvements within the School District. The primary original source of funding for this fund was a transfer from the Bond Retirement Fund. The ongoing source of revenue for this fund is property tax revenue.

The other governmental funds of the School District account for capital projects, grants and other resources whose use is restricted to a particular purpose.

*Proprietary Funds* Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

*Internal Service Fund* The Internal Service Fund was used to provide excess coverage for claims in excess of contract amounts for medical, life, and dental benefits provided to employees. As of June 30, 2020 the fund had no claims to process. The remaining net position of \$96,622 is surplus left in the fund and is being utilized to pay administration fees of the School District's Flex Spending Account.

*Fiduciary Fund Type* 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are agency funds, which are used to account for student managed activities and certain payroll clearance items, and a private-purpose trust fund, which is used to account for scholarship awards.

**C. Measurement Focus**

*Government-Wide Financial Statements* The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

***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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows of resources related to unamortized deferred amounts on refunding, the recording of deferred inflows and outflows of resources related to net pension/OPEB liabilities (assets), and the recording of net pension/OPEB liabilities (assets).

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "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 School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, investment earnings, tuition, grants, fees, and rentals.

**Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds as of June 30, 2020 and for pensions and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Notes 10 and 11. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes, grants, and donations which are not collected in the available period, pensions, and other postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pensions and other postemployment benefits are only reported on the Statement of Net Position. (See Notes 10 and 11)

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.



**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

***E. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect amounts in the certificate of estimated resources at the time the permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts are to reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash, Cash Equivalents and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool or temporarily used to purchase short term investments. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

During fiscal year 2020, investments were limited to certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$87,765 and \$1,759 to the Other Governmental Funds.

For purposes of the presentation on the financial statements, investments of a cash management pool or investments with an original maturity of three months or less at the time they are purchased by the School District would be considered to be cash equivalents.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

***G. Capital Assets***

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These 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 fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Improvements	20-50 years
Furniture and Equipment	8-20 years
Vehicles	10 years
Infrastructure	50 years
Library and Textbooks	5-15 years

***H. 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 financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities.

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

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

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

On the 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. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid.

***J. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and net pension/OPEB liabilities 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 fiscal year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

***K. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School 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 or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

***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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or 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 School District Board of Education.

***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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

***L. Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***M. Net Position***

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

The government-wide statement of net position reports \$13,332,005 in restricted net position, none of which is restricted by enabling legislation.

***N. Interfund Assets/Liabilities***

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. These amounts are eliminated in the governmental activities column of the statement of net position.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The School District did not have any operating revenues during the current fiscal year. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are presented as nonoperating revenues/expenses.

***P. Unamortized Bond Issuance Costs/Bond Premium and Discount***

On the government-wide financial statements, bond issuance costs are recorded as expenses on the statement of activities. The School District incurred bond issuance costs related to the 2014 School Improvement refunding bonds during a prior fiscal year. 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.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized as expenditures and other financing sources, respectively.

In the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow/outflow of resources on the Statement of Net Position.

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

***Q. Pensions and PostEmployment Benefits (OPEB)***

For purposes of measuring the net pension liability, net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB 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/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**NOTE 3 – ACCOUNTABILITY**

***Accountability***

At June 30, 2020, the Student Wellness and Success, Restructing Team Grant, Title I, Improving Teacher Quality, and the Miscellaneous Federal Grants Funds had deficit fund balances of \$98,506, \$179, \$23,378, \$1,507, and \$143, respectively, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget and actual (budget 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 GAAP (modified accrual) basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance General Fund	
GAAP Basis	\$1,591,719
Revenue Accruals	727,862
Expenditure Accrual	(1,002,064)
Perspective Difference:	
Activity of Fund Reclassified for	
GAAP Reporting Purposes	(11,450)
Encumbrances	<u>(481,536)</u>
Budget Basis	<u><u>\$824,531</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School 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 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 monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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 School 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:** Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$13,532,082 of the School District's bank balance of \$17,874,082 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured;  
or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected in 2020 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 2020 taxes were collected for the School District are:

	2019 Second-Half Collections		2020 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$281,329,150	56.00%	\$283,011,310	55.20%
Public Utility	221,021,580	44.00%	229,654,050	44.80%
Total Assessed Value	\$502,350,730	100.00%	\$512,665,360	100.00%
Tax rate per \$1,000 of assessed valuation	\$28.25		\$28.25	

The School District receives property taxes from Gallia and Jackson Counties. The Gallia County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations.

The amount available to be advanced can vary based on the date the tax bills are sent.



**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2020, 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 were 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 of resources.

The amount available as an advance at June 30, 2020 was \$115,400 in the General Fund, \$41,780 in the Bond Retirement Fund, and \$5,782 in the Permanent Improvement Fund and was recognized as revenue for the fiscal year. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is recorded as deferred inflows of resources.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2020 consisted of property taxes, accounts, accrued interest, interfund and intergovernmental grants. 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 fiscal year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>General Fund</i>	\$435,571
<i>Non-Major Special Revenue Funds:</i>	
Lunchroom	5,075
Early Childhood (Pre-K)	48,004
Miscellaneous State Grants	7,253
Special Education, Part B-IDEA	103,145
Title I	133,329
Improving Teacher Quality	26,084
Student Wellness and Success	1,370
Miscellaneous Federal Grants	<u>169,731</u>
Total Non-Major Special Revenue Funds	<u>493,991</u>
Total Intergovernmental Receivables	<u><u>\$929,562</u></u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 6/30/2019	Additions	Deductions	Balance 6/30/2020
<b>Capital Assets:</b>				
<b>Capital Assets not being depreciated:</b>				
Land	\$ 603,724	\$ -	\$ -	\$ 603,724
<b>Total Capital Assets not being Depreciated</b>	<b>603,724</b>	<b>-</b>	<b>-</b>	<b>603,724</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	7,776,224	-	-	7,776,224
Buildings and Improvements	64,741,794	-	-	64,741,794
Furniture and Equipment	1,739,238	354,018	(6,104)	2,087,152
Infrastructure	135,627	-	-	135,627
Library and Textbooks	1,138,235	-	-	1,138,235
Vehicles	4,072,177	269,597	(245,494)	4,096,280
<b>Total Capital Assets being Depreciated</b>	<b>79,603,295</b>	<b>623,615</b>	<b>(251,598)</b>	<b>79,975,312</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(7,034,838)	(274,511)	-	(7,309,349)
Buildings and Improvements	(19,074,953)	(1,452,838)	-	(20,527,791)
Furniture and Equipment	(917,825)	(107,363)	6,104	(1,019,084)
Infrastructure	(97,351)	(2,587)	-	(99,938)
Library and Textbooks	(1,138,235)	-	-	(1,138,235)
Vehicles	(2,828,367)	(224,198)	245,494	(2,807,071)
<b>Total Accumulated Depreciation</b>	<b>(31,091,569)</b>	<b>(2,061,497)</b>	<b>251,598</b>	<b>(32,901,468)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>48,511,726</b>	<b>(1,437,882)</b>	<b>-</b>	<b>47,073,844</b>
<b>Capital Assets, Net</b>	<b>\$ 49,115,450</b>	<b>\$ (1,437,882)</b>	<b>\$ -</b>	<b>\$ 47,677,568</b>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$ 1,587,709
Special	16,022
Vocational	1,138
<b>Support Services:</b>	
Instructional Staff	20,412
Board of Education	4,280
Administration	3,883
Operation and Maintenance of Plant	9,219
Pupil Transportation	235,951
Operation of Non-Instructional Services	11,715
Extracurricular Activities	171,168
<b>Total Depreciation Expense</b>	<b>\$ 2,061,497</b>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2020, the School District, together with other school districts in Ohio participate in the Schools of Ohio Risk Sharing Authority (SORSA), a non-profit, public entity risk sharing pool. SORSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the SORSA (see Note 19). The types and amounts of coverage provided by the Schools of Ohio Risk Sharing Authority during fiscal year 2020 are as follows:

Buildings and Contents	\$87,808,262
Earth Movement Limit	2,000,000
Flood Limit	2,000,000
Crime Coverage	1,000,000
EDP Equipment – Per Occurrence	1,250,000
Errors and Omissions Cover	1,000,000
General Liability	15,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District evaluated its insurance coverage during the fiscal year and increased coverage amounts during fiscal year 2020.

For fiscal year 2020, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school districts and educational service centers 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts and educational service centers that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Lincoln Insurance Company in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator.

The School District provides health and major medical, and prescription drug insurance for all eligible employees through Medical Mutual. The School District pays monthly premiums of up to \$2,065.36 for family coverage and up to \$826.15 for individual coverage. The School District provides dental insurance for all eligible employees through CoreSource. The School District pays monthly premiums of up to \$88.88 for family coverage and up to \$34.86 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

**Net Pension Liability/Net OPEB Liability (Asset)**

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

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

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – School 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.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Plan Description - School Employees Retirement System (SERS)** (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2020, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2020.

The School District’s contractually required contribution to SERS was \$511,475 for fiscal year 2020. Of this amount \$27,584 is reported as an intergovernmental payable.

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

Plan Description – School 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).

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$1,636,016 for fiscal year 2020. Of this amount \$261,834 is reported as an intergovernmental payable.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

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

The net pension liability reported as of June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.1158530%	0.10105974%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.1108574%</u>	<u>0.10251602%</u>	
Change in Proportionate Share	<u>0.0049956%</u>	<u>-0.00145628%</u>	
Proportion of the Net Pension Liability	\$6,931,688	\$22,348,754	\$29,280,442
Pension Expense (Gain)	\$1,103,411	\$3,764,520	\$4,867,931

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$175,772	\$181,956	\$357,728
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	434,400	922,530	1,356,930
Changes of assumptions	0	2,625,293	2,625,293
School District contributions subsequent to the measurement date	<u>540,775</u>	<u>1,779,624</u>	<u>2,320,399</u>
Total	<u>\$1,150,947</u>	<u>\$5,509,403</u>	<u>\$6,660,350</u>

<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$0	\$96,743	\$96,743
Differences between projected and actual investment earnings	88,976	1,092,286	1,181,262
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>163,461</u>	<u>107,172</u>	<u>270,633</u>
Total	<u>\$252,437</u>	<u>\$1,296,201</u>	<u>\$1,548,638</u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

\$2,320,399 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$408,849	\$2,015,378	\$2,424,227
2022	(95,652)	490,013	394,361
2023	(5,921)	(177,488)	(183,409)
2024	50,459	105,675	156,134
Total	\$357,735	\$2,433,578	\$2,791,313

**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, 2019, are presented below:

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent - On and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement.
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)



**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS** (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	100.00 %	

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

**Sensitivity of the School 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%)
School District's proportionate share of the net pension liability	\$9,713,773	\$6,931,688	\$4,598,562

**Assumptions and Benefit Changes Since the Prior Measurement Date** – There were no changes in assumptions or benefits since the prior measurement date.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Payroll Increases	3.0%
Investment Rate of Return	7.45 percent, net of investment expenses
Discount Rate of Return	7.45%
Cost-of-Living Adjustments (COLA)	0%

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

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

**Discount Rate** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$32,660,214	\$22,348,754	\$13,619,575

**Assumptions and Benefit Changes Since the Prior Measurement Date** - There were no changes in assumptions or benefit terms since the prior measurement date.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2020, two of the School District’s members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 – DEFINED BENEFIT OPEB PLANS**

See Note 10 for a description of the net OPEB liability (asset).

**State Teachers Retirement System**

**Plan Description** – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 11 – DEFINED BENEFIT OPEB PLANS** (continued)

**School Employees Retirement System**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. 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 2020, the School District's surcharge obligation was \$36,306.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$36,306 for fiscal year 2020.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**NOTE 11 – DEFINED BENEFIT OPEB PLANS** (continued)

**Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)**

The net OPEB (asset) liability was measured as of June 30, 2019, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB (asset) liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.11226040%	0.10251602%	
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	<u>0.11703310%</u>	<u>0.10105974%</u>	
Change in Proportionate Share	<u>0.00477270%</u>	<u>-0.00145628%</u>	
Proportionate Share of the Net OPEB Liability	\$2,943,136	\$0	\$2,943,136
Proportionate Share of the Net OPEB (Asset)	\$0	(\$1,673,792)	(\$1,673,792)
OPEB Expense (Gain)	\$86,903	(\$464,210)	(\$377,307)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$ 43,203	\$ 151,741	\$ 194,944
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	113,605	127,715	241,320
Changes of assumptions	214,963	35,183	250,146
Differences between projected and actual investment earnings	7,065	-	7,065
School District contributions subsequent to the measurement date	36,306	-	36,306
Total	<u>\$ 415,142</u>	<u>\$ 314,639</u>	<u>\$ 729,781</u>
<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$646,587	\$85,156	\$731,743
Differences between projected and actual investment earnings	-	105,127	105,127
Changes of assumptions	164,924	1,835,116	2,000,040
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	84,224	28,430	112,654
Total	<u>\$ 895,735</u>	<u>\$ 2,053,829</u>	<u>\$ 2,949,564</u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 11 – DEFINED BENEFIT OPEB PLANS** (continued)

**Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)** (continued)

\$36,306 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$169,407)	(\$374,688)	(\$544,095)
2022	(84,712)	(374,689)	(459,401)
2023	(82,638)	(332,556)	(415,194)
2024	(82,976)	(317,780)	(400,756)
2025	(69,307)	(339,555)	(408,862)
Thereafter	(27,859)	78	(27,781)
Total	(\$516,899)	(\$1,739,190)	(\$2,256,089)

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 11 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Valuation Date	June 30, 2019
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015
Investment Rate of Return	7.50 percent, net of investment expenses, including inflation
Price Inflation	3.00%
Salary increases, including price inflation	3.50% - 18.20%
Municipal Bond Index Rate	
Prior Measurement Date	3.62%
Measurement Date	3.13%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	3.70%
Measurement Date	3.22%
Medical Trend Assumption	
Pre-Medicare	7.00% - 4.75%
Medicare	5.25% - 4.75%

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

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

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 11 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.5% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2028 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS’ net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%).

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$3,572,409	\$2,943,136	\$2,442,791

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower and higher than the current rate.

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB liability	\$2,358,048	\$2,943,136	\$3,719,406



**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 11 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

**Assumptions and Benefit Changes Since the Prior Measurement Date** - The following changes in key methods and assumptions as presented below:

(1)	Discount Rate:	
	Prior Measurement Date	3.70%
	Measurement Date	3.22%

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45%	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.93%	4.00%
Prescription Drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

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

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

**Experience Studies** — Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 11 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

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

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care fund investments of 7.45% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2019.

**Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB (asset) liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 11 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

	1% Decrease in Discount Rate (6.45%)	Current Discount Rate (7.45%)	1% Increase in Discount Rate (8.45%)
School District's proportionate share of the net OPEB (asset) liability	(\$1,428,248)	(\$1,673,792)	(\$1,880,237)
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB (asset) liability	(\$1,898,003)	(\$1,673,792)	(\$1,399,187)

**Assumption Changes Since the Prior Measurement Date** – There were no changes in assumptions since the prior measurement date of June 30, 2018.

**Benefit Term Changes Since the Prior Measurement Date** - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE**

During a previous fiscal year, the School District entered into an agreement for copiers. This lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable has been recorded on the government-wide statements. Principal payments in fiscal year 2020 were \$25,492 in the governmental funds. The annual requirements to amortize the lease obligation as of June 30, 2020 are as follows:

Year Ending June 30	Amount
2021	\$30,132
2022	30,133
2023	30,133
2024	2,511
Total	92,909
Less: Amount Representing Interest	(6,477)
Present Value of Net Minimum Lease Payments	\$ 86,432

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2020 were as follows:

	Principal Outstanding 06/30/19	Additions	Deductions	Principal Outstanding 06/30/20	Due Within One Year
Classroom Facilities General					
Obligation Bonds 2014 2% - 5%	\$ 31,065,000	\$ -	\$ (1,500,000)	\$ 29,565,000	\$ 1,530,000
Premium	3,106,550	-	(214,245)	2,892,305	-
2016 QZAB Bond	2,715,000	-	(215,000)	2,500,000	215,000
Total Long-Term Bonds	<u>36,886,550</u>	<u>-</u>	<u>(1,929,245)</u>	<u>34,957,305</u>	<u>1,745,000</u>
Net Pension Liability:					
STRS	22,540,971	-	(192,217)	22,348,754	-
SERS	6,349,009	582,679	-	6,931,688	-
Total Net Pension Liability	<u>28,889,980</u>	<u>582,679</u>	<u>(192,217)</u>	<u>29,280,442</u>	<u>-</u>
Net OPEB Liability:					
STRS	-	-	-	-	-
SERS	3,114,407	-	(171,271)	2,943,136	-
Total OPEB Liability	<u>3,114,407</u>	<u>-</u>	<u>(171,271)</u>	<u>2,943,136</u>	<u>-</u>
Compensated Absences	1,407,636	1,804,917	(1,700,310)	1,512,243	44,990
Capital Leases	111,924	-	(25,492)	86,432	26,696
Total Long-Term Obligations	<u>\$ 70,410,497</u>	<u>\$ 2,387,596</u>	<u>\$ (4,018,535)</u>	<u>\$ 68,779,558</u>	<u>\$ 1,816,686</u>

(a) OPEB for STRS has a Net OPEB asset in the amount of \$1,673,792 as of June 30, 2020.

In July of 2014, the School District issued \$35,350,000 in School Improvement General Obligation Bonds, advance refunding \$35,825,000 of the School Improvement General Obligation Bonds issued in 2006. The bonds were issued for a 19 year period with final maturity on November 1, 2033. The bonds are being retired with property taxes from the Debt Service Fund.

The advance refunding of School Improvement General Obligation Bonds 2006 resulted in a difference of \$2,384,377 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization for fiscal year 2020 was \$125,494.

The School District defeased \$35,825,000 of the School Improvement General Obligation Bonds 2006 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds were not included in the School District's financial statements. \$35,825,000 of the bonds were redeemed on June 1, 2016.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

The School Improvement General Obligation Bonds 2014 bonds are considered current interest bonds (serial bonds) which will be redeemed over a period through November 1, 2033.

The Qualified Zone Academy Bonds (QZAB) were issued in 2016 in the amount of \$3,327,920 for a 15 year period in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34). These bonds were issued for the purpose of energy conservation improvements and the SCS STEM Education Adcademy. The QZAB does not bear interest. The bonds will be retired with property taxes from the Debt Service Fund.

Compensated absences will be paid from the fund which the employee's salaries are paid, with the General Fund being the most significant. Capital leases are being paid from the Bond Retirement Fund.

The School District's voted legal debt margin was \$14,074,882. The School District has an unvoted debt margin of \$512,665 at June 30, 2020.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2020, are as follows:

	<u>2014 Refunding Bonds</u>			<u>2016 QZAB</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>
2021	\$1,530,000	\$1,348,600	\$2,878,600	\$215,000
2022	1,610,000	1,270,100	2,880,100	220,000
2023	1,685,000	1,187,725	2,872,725	220,000
2024	1,775,000	1,101,225	2,876,225	225,000
2025	1,860,000	1,010,350	2,870,350	225,000
2026-2030	10,645,000	3,709,525	14,354,525	1,155,000
2031-2034	10,460,000	979,650	11,439,650	240,000
<b>Total</b>	<b><u>\$29,565,000</u></b>	<b><u>\$10,607,175</u></b>	<b><u>\$40,172,175</u></b>	<b><u>\$2,500,000</u></b>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

A. **METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION (META) SOLUTIONS**

META Solutions is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The Center paid META \$329,985 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

B. **GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT**

Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a Board comprised of eleven members appointed by the participating schools, which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Stephanie Rife, who serves as Treasurer, at 351 Buckeye Hills Road, Rio Grande, Ohio 45674.

C. **GALLIA-VINTON EDUCATIONAL SERVICE CENTER**

Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. 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 School District's continued participation and no equity interest exists. During fiscal year 2020, the School District made \$14,131 in contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Jay Carter, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.

D. **EDUCATIONAL REGIONAL SERVICE SYSTEM (ERSS)**

The Educational Regional Service System consists of 16 designated regions to provide services to school districts, community schools, and chartered nonpublic schools in order to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. Financial information can be obtained by contacting Teresa McGinnis, Treasurer, at the Athens-Meigs Educational Service Center, PO Box 40, Chauncy, Ohio 45719.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

E. **COALITION OF RURAL AND APPALACHIAN SCHOOLS (CORAS)**

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2020, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

**NOTE 15 - INSURANCE PURCHASING POOL**

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts and educational service centers pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 16 - CONTINGENCIES**

A. **Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

B. **Litigation**

The School District was not party to legal proceedings during fiscal year 2020.

C. **Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2020 were finalized and determined to not be significant, therefore the adjustments were not recorded in the accompanying financial statements.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 17- DEFERRED COMPENSATION**

School District employees may participate in the Ohio Public Employees Deferred Compensation program, created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

**NOTE 18- STATUTORY SET-ASIDES**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Balance as of June 30, 2019	\$0
Current year set-aside requirement	397,813
Current Year Qualifying disbursements	(397,813)
Set-aside Balance as of June 30, 2020	\$0

The carryover amount in the Capital Acquisition Set-Aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$41,296,662 at June 30, 2020.

**NOTE 19 - RISK SHARING POOL**

*Schools of Ohio Risk Sharing Authority, Inc.* – The Schools of Ohio Risk Sharing Authority, Inc. (SORSA) is a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automotive liability, certain property insurance and educators’ errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district’s control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235.



**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 20– INTERFUND ACTIVITY**

Advances

Interfund balances at June 30, 2020, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2021 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$358,351	\$0
Non-Major Special Revenue Funds		
Improving Teacher Quality	0	19,598
Title I	0	85,897
Title VI-B	0	66,631
Miscellaneous State Grant	0	3,767
Public Preschool	0	16,226
Miscellaneous Federal Grant	0	162,859
Total Non-Major Special Revenue Funds	0	354,978
Agency Fund	0	3,373
Total Interfund Receivables/Payables	\$358,351	\$358,351

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the other funds.

**NOTE 21 – OTHER EMPLOYEE BENEFITS**

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: 52 days maximum for 10 to 19 years of service; and 67 days maximum for 20 or more years of service. Classified employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments as follows: 47 days maximum for five to nine years of service; 52 days maximum for 10 to 19 years of service; and 63 days maximum for 20 or more years of service.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**NOTE 22 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Scholarship	\$0	\$0	\$0	\$92,000	\$92,000
Unclaimed Monies	4,597	0	0	0	4,597
Total Nonspendable	4,597	0	0	92,000	96,597
<b>Restricted for</b>					
Contributions	0	0	0	6,794	6,794
Food Service	0	0	0	95,244	95,244
District Managed Activities	0	0	0	74,624	74,624
Other Purposes	0	0	0	17,775	17,775
Capital Improvements	0	0	7,445,512	145,562	7,591,074
Debt Services Payments	0	5,173,664	0	0	5,173,664
Total Restricted	0	5,173,664	7,445,512	339,999	12,959,175
<b>Assigned to</b>					
Other Purposes	473,578	0	0	0	473,578
Total Assigned	473,578	0	0	0	473,578
<b>Unassigned (Deficit)</b>	2,598,984	0	0	(123,713)	2,475,271
Total Fund Balances	\$3,077,159	\$5,173,664	\$7,445,512	\$308,286	\$16,004,621

**NOTE 23 – ENCUMBRANCES**

At June 30, 2020, the School District had significant encumbrance commitments in governmental funds as follows:

Major Funds:	
General	\$481,536
Permanent Improvement	<u>30,600</u>
Total Funds	<u>\$512,136</u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

**NOTE 24 – NEW ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2020, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, Fiduciary Activities
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates

The following statement is postponed by 18 months:

- Statement No. 87, Leases

**NOTE 25 – OPERATING LEASE**

The School District signed an operating lease in 2015 with SolarCity Corporation for the purpose of solar power production and distribution equipment located on the premises of River Valley Middle School, River Valley High School, Southwestern Elementary School, and Addaville Elementary School. During fiscal year 2018, these leases were acquired by SunWyz, LLC. Rental payments made to SunWyz, LLC during fiscal year 2020 was \$48,676 for River Valley High School, \$25,710 for River Valley Middle School, \$32,801 for Addaville Elementary School, and \$25,734 for Southwestern Elementary School. The estimated rental payments for the leases are as follows:

Contract Year	River Valley High School	River Valley Middle School	Addaville Elementary School	Southwestern Elementary School	Total
2021	\$49,635	\$26,136	\$33,348	\$26,160	\$135,279
2022	50,621	26,664	34,008	26,676	137,969
2023	51,631	27,192	34,680	27,216	140,719
2024	52,658	27,732	35,376	27,756	143,522
2025	53,704	28,284	36,072	28,308	146,368
2026-2030	284,938	150,072	191,412	150,192	776,614
2031-2035	314,405	165,588	211,212	165,720	856,925
2036-2040	346,924	182,700	233,064	182,856	945,544
2041-2043	180,137	118,572	151,248	118,668	568,625
Total	<u>\$1,384,653</u>	<u>\$752,940</u>	<u>\$960,420</u>	<u>\$753,552</u>	<u>\$3,851,565</u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 26 – OTHER MATTERS OF POTENTIAL SIGNIFICANCE**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 may impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The School District's investments of the pension and other employee benefit plans in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

**Gallia County Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Seven Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 20,527,251,448	\$ 19,997,700,966	\$ 19,588,417,687	\$ 19,770,708,121	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	14,544,076,104	14,270,515,748	13,613,638,590	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	5,983,175,344	5,727,185,218	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.1158530%	0.1108574%	0.1150495%	0.1153815%	0.1019569%	0.0948660%	0.0948660%
School District's proportionate share of the net pension liability	\$ 6,931,688	\$ 6,349,009	\$ 6,873,953	\$ 8,444,861	\$ 5,817,760	\$ 4,801,114	\$ 5,641,377
School District's covered payroll	\$ 3,834,867	\$ 3,707,333	\$ 3,857,300	\$ 3,583,321	\$ 3,069,340	\$ 2,756,623	\$ 3,137,890
School District's proportionate share of the net pension liability as a percentage of its covered payroll	180.75%	171.26%	178.21%	235.67%	189.54%	174.17%	179.78%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

See notes to accompanying required supplementary information.

**Gallia County Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Seven Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 97,840,944,397	\$ 96,904,056,552	\$ 96,126,440,462	\$ 100,756,422,489	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	75,726,545,352	74,916,301,830	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	22,114,399,045	21,987,754,722	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.10105974%	0.10251602%	0.10237873%	0.09833298%	0.09117680%	0.09015917%	0.09015917%
School District's proportionate share of the net pension liability	\$ 22,348,754	\$ 22,540,971	\$ 24,320,287	\$ 32,915,012	\$ 25,198,601	\$ 21,929,830	\$ 26,122,670
School District's covered payroll	\$ 11,864,807	\$ 11,654,343	\$ 11,255,286	\$ 10,345,807	\$ 9,512,771	\$ 9,212,062	\$ 9,275,954
School District's proportionate share of the net pension liability as a percentage of its covered payroll	188.36%	193.41%	216.08%	318.15%	264.89%	238.06%	281.62%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2014 is not available.

See notes to accompanying required supplementary information.

**Gallia County Local School District**  
*Required Supplementary Information*  
*Schedule of School District Pension Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 511,475	\$ 517,707	\$ 500,490	\$ 540,022	\$ 501,665	\$ 404,539	\$ 382,068	\$ 434,284	\$ 405,795	\$ 335,403
Contributions in relation to the contractually required contribution	<u>(511,475)</u>	<u>(517,707)</u>	<u>(500,490)</u>	<u>(540,022)</u>	<u>(501,665)</u>	<u>(404,539)</u>	<u>(382,068)</u>	<u>(434,284)</u>	<u>(405,795)</u>	<u>(335,403)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 3,653,393	\$ 3,834,867	\$ 3,707,333	\$ 3,857,300	\$ 3,583,321	\$ 3,069,340	\$ 2,756,623	\$ 3,137,890	\$ 3,017,063	\$ 2,668,282
Contributions as a percentage of covered employee payroll	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

See notes to accompanying required supplementary information.

**Gallia County Local School District**  
*Required Supplementary Information*  
*Schedule of School District Pension Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,636,016	\$ 1,661,073	\$ 1,631,608	\$ 1,575,740	\$ 1,448,413	\$ 1,331,788	\$ 1,197,568	\$ 1,205,874	\$ 1,248,427	\$ 1,261,201
Contributions in relation to the contractually required contribution	<u>(1,636,016)</u>	<u>(1,661,073)</u>	<u>(1,631,608)</u>	<u>(1,575,740)</u>	<u>(1,448,413)</u>	<u>(1,331,788)</u>	<u>(1,197,568)</u>	<u>(1,205,874)</u>	<u>(1,248,427)</u>	<u>(1,261,201)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 11,685,829	\$ 11,864,807	\$ 11,654,343	\$ 11,255,286	\$ 10,345,807	\$ 9,512,771	\$ 9,212,062	\$ 9,275,954	\$ 9,603,285	\$ 9,701,546
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

See notes to accompanying required supplementary information.



**Gallia County Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Four Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total plan OPEB liability	\$ 2,978,600,373	\$ 3,209,899,769	\$ 3,065,846,821	\$ 3,220,574,434
Plan net position	463,810,679	435,629,637	382,109,560	370,204,515
Net OPEB liability	2,514,789,694	2,774,270,132	2,683,737,261	2,850,369,919
School District's proportion of the net OPEB liability	0.1170331%	0.1122604%	0.1162340%	0.1166892%
School District's proportionate share of the net OPEB liability	\$ 2,943,136	\$ 3,114,407	\$ 3,119,415	\$ 3,326,074
School District's covered payroll	\$ 3,834,867	\$ 3,707,333	\$ 3,857,300	\$ 3,583,321
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.75%	84.01%	80.87%	92.82%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

**Gallia County Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*State Teachers Retirement System of Ohio*  
*Last Four Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total plan OPEB liability	\$ 2,215,918,000	\$ 2,114,451,000	\$ 7,377,410,000	\$ 8,533,654,000
Plan net position	3,872,158,000	3,721,349,000	3,475,779,000	3,185,628,000
Net OPEB liability (asset)	(1,656,240,000)	(1,606,898,000)	3,901,631,000	5,348,026,000
School District's proportion of the net OPEB liability (asset)	0.10105974%	0.10251602%	0.10237873%	0.09833298%
School District's proportionate share of the net OPEB liability (asset)	\$ (1,673,792)	\$ (1,647,328)	\$ 3,994,440	\$ 5,258,873
School District's covered payroll	\$ 11,864,807	\$ 11,654,343	\$ 11,255,286	\$ 10,345,807
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-14.12%	-14.14%	35.48%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	174.74%	176.00%	47.11%	37.33%

(1) Information prior to 2017 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

**Gallia County Local School District**  
*Required Supplementary Information*  
*Schedule of School District OPEB Contributions*  
*School Employees Retirement System of Ohio*  
*Last Five Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 36,306	\$ 82,663	\$ 77,967	\$ 60,970	\$ 58,027
Contributions in relation to the contractually required contribution	<u>(36,306)</u>	<u>(82,663)</u>	<u>(77,967)</u>	<u>(60,970)</u>	<u>(58,027)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 3,653,393	\$ 3,834,867	\$ 3,707,333	\$ 3,857,300	\$ 3,583,321
Contributions as a percentage of covered payroll	0.99%	2.16%	2.10%	1.58%	1.62%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

**Gallia County Local School District**  
*Required Supplementary Information*  
*Schedule of School District OPEB Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Five Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 11,685,829	\$ 11,864,807	\$11,654,343	\$11,255,286	\$10,345,807
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

**Gallia County Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**Pension**

**School Employees Retirement System (SERS)**

Changes in benefit terms

2020: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

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

Changes in assumptions

2018-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) 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,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**State Teachers Retirement System (STRS)**

Changes in benefit terms

2019-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

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

Changes in assumptions

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**Gallia County Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**Pension** (continued)

**State Teachers Retirement System (STRS)** (continued)

Changes in assumptions (continued)

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**OPEB**

**School Employees Retirement System (SERS)**

Changes in benefit terms

2017-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2020: The discount rate was changed from 3.70% to 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The discount rate was changed from 3.63% to 3.70%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%
- (2) Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

**Gallia County Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**OPEB (Continued)**

**School Employees Retirement System (SERS) (Continued)**

Changes in assumptions (continued)

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) 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
- (7) 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)**

Changes in benefit terms

2020: There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in assumptions

2020: There were no changes in assumptions since the prior measurement date of June 30, 2018.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Gallia County Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**State Teachers Retirement System (STRS) (Continued)**

Changes in assumptions (continued)

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.



**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	2020	\$109,934
Cash Assistance			
COVID-19 School Breakfast Program	10.553	2020	20,642
School Breakfast Program		2020	231,758
COVID-19 National School Lunch Program	10.555	2020	201,914
National School Lunch Program		2020	497,672
Total Cash Assistance			<u>951,986</u>
Total Child Nutrition Cluster			<u>1,061,920</u>
Total U.S. Department of Agriculture			1,061,920
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I:			
Title I Grants to Local Educational Agencies	84.010	2019	69,637
Title I Grants to Local Educational Agencies	84.010	2020	878,926
School Quality Improvement Grant	84.010A	2019	56,084
School Quality Improvement Grant	84.010A	2020	110,352
Total Title I Grant to Local Educational Agencies			<u>1,114,999</u>
Special Education Cluster:			
Special Education Grants to States	84.027	2019	28,198
Special Education Grants to States	84.027	2020	533,781
Total Special Education			<u>561,979</u>
Special Education Preschool Grants Restoration	84.173	2019	2,712
Special Education Preschool Grants	84.173	2020	4,924
Total Early Childhood Special Education			<u>7,636</u>
Total Special Education Cluster			<u>569,615</u>
Twenty-First Century Community Learning Center Grants	84.287	2020	800,000
Rural Education	84.358	2020	41,101
Supporting Effective Instruction State Grants	84.367	2019	7,273
Supporting Effective Instruction State Grants	84.367	2020	116,408
Total Supporting Effective Instruction Quality State Grants			<u>123,681</u>
Student Support and Academic Enrichment Program	84.424	2019	6,129
Student Support and Academic Enrichment Program	84.424	2020	63,615
Total Student Support and Academic Enrichment Program			<u>69,744</u>
Total U.S. Department of Education			<u>2,719,140</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$3,781,060</u></u></b>

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Gallia County Local School District (the School District’s) under programs of the federal government for the year ended June 30, 2020. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

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

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$249,013
School Quality Improvement Grant	84.010A	\$38,892
Special Education - Grants to States	84.027	\$136,825
Special Education - Preschool Grants	84.173	\$7,724
Twenty-first Century Community Learning Center Grants	84.287	\$2,858
Rural Education	84.358	\$6,046
Supporting Effective Instruction State Grants	84.367	\$47,569
Student Support and Academic Enrichment Program	84.424	\$2,864

# OHIO AUDITOR OF STATE KEITH FABER



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

Gallia County Local School District  
Gallia County  
4836 State Route 325  
Patriot, Ohio 45658

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 Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 24, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

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

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 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 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.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2020-001.

***School District's Response to the Finding***

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 24, 2021



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

Gallia County Local School District  
Gallia County  
4836 State Route 325  
Patriot, Ohio 45658

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited the Gallia County Local School District's, Gallia County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

***Management's Responsibility***

The 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 School District's compliance for the School District's major federal programs 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 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 School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on Major Federal Programs***

In our opinion, the Gallia County Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying Schedule of Findings as item 2020-002. Our opinion on the major federal programs is not modified with respect to this matter.

The School District's response to our noncompliance finding is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

The 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 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 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.

Gallia County Local School District  
Gallia County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 3

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 24, 2021

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**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> Title I Grants to Local Educational Agencies – CFDA # 84.010 Special Education Cluster – CFDA # 84.027 and 84.173	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

**FINDING NUMBER 2020-001**

**Noncompliance**

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2020-001  
(Continued)**

**Noncompliance - Ohio Rev. Code § 5705.39 (Continued)**

At June 30, 2020 the School District's appropriations exceeded the amount certified as available by the budget commission in the Bond Retirement Fund and Building Funds by \$1,734,203 and \$280,980, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the School District's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The School District should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the School District should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Education to reduce the appropriations.

**Officials' Response:** This is to be corrected by June 30, 2021.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**Noncompliance and Significant Deficiency**

<b>Finding Number:</b>	<b>2020-002</b>
<b>CFDA Number and Title:</b>	<b>CFDA # 10.555 - Nutrition Cluster CFDA # 84.010 - Title I Grants to Local Educational Agencies CFDA # 84.010A - School Quality Improvement Grant CFDA # 84.027 and 84.173 - Special Education Cluster CFDA # 84.358 - Rural Education CFDA # 84.367- Supporting Effective Instruction State Grants CFDA # 84.424 – Student Support and Academic Enrichment Program</b>
<b>Federal Award Identification Number / Year:</b>	<b>2019 / 2020</b>
<b>Federal Agency:</b>	<b>U.S. Department of Education</b>
<b>Compliance Requirement:</b>	<b>Other</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Education</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2020-002  
(Continued)**

**Noncompliance and Significant Deficiency (Continued)**

**2 CFR Subpart F § 200.510(b)** requires the auditee to prepare a Schedule of Expenditures of Federal Awards (the Schedule) for the period covered by the School District's financial statements which must include the total federal awards expended as determined in accordance with § 200.502.

At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee has elected to use the 10 percent de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

The following errors were noted in the Schedule of Expenditures of Federal Awards:

- CFDA # 10.555 did not include non-cash assistance of commodities in the amount of \$109,934.
- CFDA # 84.010 did not include expenditures from SCC 9019 in the amount of \$69,637.
- CFDA # 84.010 did not include expenditures for Bureau of Workers Compensation (BWC) premiums in the amount of \$3,055.
- CFDA # 84.010A did not include expenditures from SCC 9120 in the amount of \$56,084.
- CFDA # 84.027 did not include expenditures from Special Cost Center (SCC) 9019 in the amount of \$28,198.
- CFDA # 84.027 did not include expenditures for Bureau of Workers Compensation (BWC) premiums in the amount of \$483.
- CFDA # 84.173 did not include expenditures from SCC 9020 in the amount of \$4,924.
- CFDA # 84.173 did not include expenditures from SCC 9120 in the amount of \$2,712.
- CFDA # 84.358 did not include expenditures for Bureau of Workers Compensation (BWC) premiums in the amount of \$20.
- CFDA # 84.367 did not include expenditures from SCC 9019 in the amount of \$7,273.
- CFDA # 84.367 did not include expenditures for Bureau of Workers Compensation (BWC) premiums in the amount of \$454.
- CFDA # 84.424 did not include expenditures from SCC 9119 in the amount of \$6,129.
- CFDA # 84.424 did not include expenditures for Bureau of Workers Compensation (BWC) premiums in the amount of \$323.

Furthermore, the lack of effective controls over this compliance requirement resulted in the Schedule being misstated.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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**FINDING NUMBER 2020-002  
(Continued)**

**Noncompliance and Significant Deficiency (Continued)**

Adjustments, to which management has agreed, are reflected in the Schedule.

Noncompliance with grant requirements as well as errors and omissions on the Schedule of Expenditures of Federal Awards could have an adverse effect on future grant awards by the awarding agencies in addition to an inaccurate assessment of major federal programs that would be subjected to audit.

School District management should review all grant documents in order to execute policies and procedures which help ensure compliance with grant and loan requirements, including Schedule reporting requirements. The School District should implement a system to track all federal expenditures and related information separately from other expenditures and report federal expenditures with proper support including, but not limited to, grant agreements, calculation of the expenditures, and any federal reporting requirements. This will help ensure the School District is in compliance with grant requirements, the Schedule is complete and accurate, and major federal programs are accurately identified for audit.

**Officials' Response:** This is to be corrected by June 30, 2021.



**Gallia County Local School District**

**4836 State Route 325**

**Patriot, OH 45658**

Phone: (740) 379-9085

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2 CFR 200.511(b)**

**JUNE 30, 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Ohio Rev. Code § 5705.41(B) – expenditures exceeded appropriations	Corrected for FY20	N/A
2019-002	Approved appropriations didn't agree with META accounting system	Corrected for FY20	N/A

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**Gallia County Local School District**  
**4836 State Route 325**  
**Patriot, OH 45658**

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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2020**

**Finding Number:** 2020-001  
**Planned Corrective Action:** To be corrected by June 30, 2021  
**Anticipated Completion Date:** 06/30/2021  
**Responsible Contact Person:** Lily Blevins, Treasurer and Treasurer's office

**Finding Number:** 2020-002  
**Planned Corrective Action:** To be corrected by June 30, 2021  
**Anticipated Completion Date:** 06/30/2021  
**Responsible Contact Person:** Lily Blevins, Treasurer and Treasurer's office

# OHIO AUDITOR OF STATE KEITH FABER



**GALLIA COUNTY LOCAL SCHOOL DISTRICT**

**GALLIA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/6/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)