



Dave Yost • Auditor of State



**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

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**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

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# Dave Yost • Auditor of State

## 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, 2015, 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 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 25 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 Liabilities and Pension Contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule 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 April 29, 2016, 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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 29, 2016

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**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(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, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$353,919.
- General revenues accounted for \$25,641,347 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,303,640 or 20% of total revenues of \$31,944,987.
- The School District had \$31,591,068 in expenses related to governmental activities; only \$6,303,640 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$25,641,347 were adequate to provide for these programs.
- The School District has two major funds: the General Fund and the Bond Retirement Fund. All governmental funds had total revenue and other financing sources in the amount of \$71,988,673 and expenditures and other financing uses in the amount of \$71,078,838.

**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 2015?" 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.

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.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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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 11. 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 and the Bond Retirement Debt Service 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, 2015  
(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 2015 compared to 2014.

Table 1  
Net Position

	Governmental Activities	
	2015	2014*
<b>Assets:</b>		
Current and Other Assets	\$ 33,584,686	\$ 31,224,804
Capital Assets, Net	52,604,869	54,451,391
Total Assets	86,189,555	85,676,195
<b>Deferred Outflows of Resources:</b>		
Pensions	2,083,526	1,638,385
Unamortized Deferred Amount on Refunding	2,321,630	-
Total Deferred Outflows of Resources	4,405,156	1,638,385
<b>Liabilities:</b>		
Current and Other Liabilities	2,673,424	2,532,618
Long-Term Liabilities:		
Due Within One Year	1,637,028	1,393,604
Due in More than One Year:		
Net Pension Liabilities	26,730,944	31,764,047
Other Amounts	41,143,679	40,351,377
Total Liabilities	72,185,075	76,041,646
<b>Deferred Inflows of Resources:</b>		
Pensions	5,021,339	-
Property Taxes not Levied to Finance Current Year Operations	14,886,661	13,125,217
Total Deferred Inflows of Resources	19,908,000	13,125,217
<b>Net Position:</b>		
Net Investment in Capital Assets	13,192,061	14,557,319
Restricted	11,343,685	10,249,514
Unrestricted	(26,034,110)	(26,659,116)
Total Net Position	\$ (1,498,364)	\$ (1,852,283)

\*As Restated – See Note 25

During 2015, the School District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(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. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

As a result of implementing GASB 68 and GASB 71, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$28,273,379 to (\$1,852,283).

Total net position of the School District as a whole increased \$353,919. The primary reasons for the increase in current assets were due to an increase of equity in pooled cash, cash equivalents and investments due to an increase in operating grants. Property taxes receivable also increased as a result of increased tax assessed valuations. The decrease in capital assets was primarily due to depreciation expense, which was partially offset by additions. Deferred outflows of resources increased partially due to increased deferred outflows related to pensions and due to the debt refunding in 2015 which resulted in recording an unamortized deferred amount of refunding. The increase in current liabilities was primarily due to increases in accrued interest payable and matured compensated absences payable, which were partially offset by decreases in accounts payable and contracts payable. Long-term liabilities decreased due to principle payments made during the year and a reduction in the net pension liability. Deferred inflows of resources increased due to the implementation of GASB 68 which increased deferred inflows of resources related to pensions.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015, as compared with 2014.

Table 2  
Changes in Net Position

	Governmental Activities 2015	Governmental Activities 2014
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 1,607,889	\$ 1,431,794
Operating Grants and Contributions	4,695,751	3,880,046
Total Program Revenues	<u>6,303,640</u>	<u>5,311,840</u>
General Revenues		
Property Taxes	14,135,275	12,866,362
Grants and Entitlements, Not Restricted	10,987,855	11,131,046
Gifts and Donations, Not Restricted	700	1,100
Investment Earnings	48,003	51,022
Gain on Sale of Assets	167,977	0
Payment in Lieu of Taxes	26,287	0
Miscellaneous	275,250	177,709
Total General Revenues	<u>25,641,347</u>	<u>24,227,239</u>
Total Revenues	<u>31,944,987</u>	<u>29,539,079</u>
<b>Program Expenses</b>		
Instruction:		
Regular	10,904,307	10,743,649
Special	2,934,741	3,099,401
Vocational	500,210	422,736
Other	2,606,138	2,375,741
Support Services:		
Pupil	623,033	493,180
Instructional Staff	703,037	802,641
Board of Education	146,477	99,674
Administration	2,304,763	2,150,159
Fiscal	864,038	803,964
Business	24,423	18,853
Operation and Maintenance of Plant	2,271,401	2,329,725
Pupil Transportation	2,302,941	2,382,090
Central	779,047	546,537
Operation of Non-Instructional Services	1,247,799	1,182,162
Extracurricular Activities	1,386,801	1,357,601
Interest and Fiscal Charges	1,554,329	1,839,606
Issuance Costs	437,583	0
Total Expenses	<u>31,591,068</u>	<u>30,647,719</u>
Increase (Decrease) in Net Position	353,919	(1,108,640)
Net Position Beginning of Year - As Restated	(1,852,283)	N/A
Net Position End of Year	<u>\$ (1,498,364)</u>	<u>\$ (1,852,283)</u>

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,623,757 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,295,483. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$31,591,068
Pension expense under GASB 68	(1,295,483)
2015 contractually required contribution	<u>1,736,327</u>
Adjusted 2015 program expenses	32,031,912
Total 2014 program expenses under GASB 27	<u>30,647,719</u>
Increase in program expenses not related to pension	<u><u>\$1,384,193</u></u>

Operating grants and contributions increased primarily due to increased monies received from the Lunchroom, Title I program and Miscellaneous Federal Grants. Miscellaneous revenue increased primarily due to a insurance proceeds received for damage to an awning at Vinton elementary. Property tax revenue increased as a result of increased tax assessed valuations. In particular, assessed valuations of the American Electric Power Plant property increased significantly in fiscal year 2014. American Electric Power is currently disputing the large increase. Administration increased due to additional salaries and legal services. Central increased due to additional salary costs, professional development purchased services, and telephone services. Instructional staff decreased due to reduced technology data processing costs.

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 2015 as compared with 2014. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015	2015	2014	2014
Program Expenses				
Instruction:				
Regular	\$10,904,307	\$9,997,176	\$10,743,649	\$9,903,550
Special	2,934,741	1,015,240	3,099,401	1,277,769
Vocational	500,210	415,989	422,736	351,284
Other	2,606,138	2,448,880	2,375,741	2,259,029
Support Services:				
Pupil	623,033	561,997	493,180	468,964
Instructional Staff	703,037	357,615	802,641	547,638
Board of Education	146,477	138,121	99,674	95,147
Administration	2,304,763	2,057,541	2,150,159	1,959,918
Fiscal	864,038	775,191	803,964	747,693
Business	24,423	22,949	18,853	17,927
Operation and Maintenance of Plant	2,271,401	2,122,702	2,329,725	2,195,254
Pupil Transportation	2,302,941	1,941,186	2,382,090	2,076,347
Central	779,047	436,961	546,537	326,528
Operation of Non-Instructional Services	1,247,799	(14,107)	1,182,162	179,681
Extracurricular Activities	1,386,801	1,034,529	1,357,601	1,089,802
Interest and Fiscal Charges	1,554,329	1,537,875	1,839,606	1,839,348
Issuance Costs	437,583	437,583	-	-
<b>Total</b>	<b>\$31,591,068</b>	<b>\$25,287,428</b>	<b>\$30,647,719</b>	<b>\$25,335,879</b>

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The most significant change in fund balance was in the Bond Retirement Fund in the amount of \$1,372,544 primarily due to property tax monies received exceeding the retirement of bonds and interest and fiscal charges. The Bond Retirement Fund had \$43,559,968 in revenues and other financing sources and \$42,187,424 in expenditures and other financing uses.

The General Fund had a decrease of \$498,757. The General Fund had \$23,362,000 in revenues and other financing sources and \$23,860,757 in expenditures and other financing uses.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2015  
(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 2015, the School District amended its General Fund appropriation budget.

For the General Fund, final appropriations were \$26,639,988, above original estimates of \$25,257,847. This increase was due primarily to increases in regular instruction. The difference between final budgeted appropriations and actual expenditures was due to conservative budgeting by the School District for regular instruction. For the General Fund, actual revenues exceeded final estimates in the amount of \$1,821,119 due to intergovernmental revenues.

The School District's ending unobligated General Fund balance was \$5,024,716.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2015, the School District had \$52,604,869 invested in land and land improvements, construction in progress, buildings and improvements, furniture and equipment, infrastructure, vehicles, and library and textbooks. Table 4 shows fiscal year 2015 balances compared to 2014.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land and Land Improvements	\$3,194,790	\$3,849,695
Construction in Progress	176,250	230,160
Buildings and Improvements	47,666,700	48,980,599
Furniture and Equipment	751,136	718,116
Infrastructure	50,439	54,547
Vehicles	765,554	618,274
Totals	\$52,604,869	\$54,451,391

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, 2015, the School District had general obligation bonds outstanding of \$36,120,000, excluding the premium of \$4,008,341. The School District also had a capital lease obligation outstanding at year-end totaling \$1,602,247. 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, 2015*  
*(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 must maintain its current spending habits 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.

**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 Julia Slone, Treasurer at Gallia County Local School District, 4836 State Route 325, Patriot, Ohio 45658.

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**Gallia County Local School District**  
*Statement of Net Position*  
*As of June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 17,491,605
Accounts Receivable	4,001
Accrued Interest Receivable	3,294
Intergovernmental Receivable	331,116
Property Taxes Receivable	15,754,670
Nondepreciable Capital Assets	818,084
Depreciable Capital Assets, Net	51,786,785
<i>Total Assets</i>	86,189,555
<b>Deferred Outflows of Resources</b>	
Pensions:	
State Teachers Retirement System	1,509,978
School Employees Retirement System	573,548
Unamortized Deferred Amount on Refunding	2,321,630
<i>Total Deferred Outflows of Resources</i>	4,405,156
<b>Liabilities</b>	
Accounts Payable	41,708
Accrued Wages and Benefits Payable	1,659,506
Contracts Payable	3,850
Intergovernmental Payable	462,024
Accrued Interest Payable	402,805
Matured Compensated Absences Payable	103,531
Non-Current Liabilities:	
Due Within One Year	1,637,028
Due in More Than One Year:	
Net Pension Liability (See Note 10)	26,730,944
Other Amounts Due in More Than One Year	41,143,679
<i>Total Liabilities</i>	72,185,075
<b>Deferred Inflows of Resources</b>	
Pensions:	
State Teachers Retirement System	4,242,105
School Employees Retirement System	779,234
Property Taxes not Levied to Finance Current Year Operations	14,886,661
<i>Total Deferred Inflows of Resources</i>	19,908,000
<b>Net Position</b>	
Net Investment in Capital Assets	13,192,061
Restricted for:	
Debt Service	9,042,640
Capital Projects	1,839,909
Other Purposes	367,093
Contributions:	
Expendable	2,043
Non-Expendable	92,000
Unrestricted	(26,034,110)
<i>Total Net Position</i>	\$ (1,498,364)

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, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 10,904,307	\$ 550,344	\$ 356,787	\$ (9,997,176)
Special	2,934,741	114,869	1,804,632	(1,015,240)
Vocational	500,210	30,041	54,180	(415,989)
Other	2,606,138	157,258	-	(2,448,880)
Support Services:				
Pupil	623,033	36,048	24,988	(561,997)
Instructional Staff	703,037	22,217	323,205	(357,615)
Board of Education	146,477	8,356	-	(138,121)
Administration	2,304,763	126,686	120,536	(2,057,541)
Fiscal	864,038	40,888	47,959	(775,191)
Business	24,423	1,474	-	(22,949)
Operation and Maintenance of Plant	2,271,401	135,646	13,053	(2,122,702)
Pupil Transportation	2,302,941	114,459	247,296	(1,941,186)
Central	779,047	27,491	314,595	(436,961)
Operation of Non-Instructional				
Services	1,247,799	43,070	1,218,836	14,107
Extracurricular Activities	1,386,801	198,994	153,278	(1,034,529)
Interest and Fiscal Charges	1,554,329	48	16,406	(1,537,875)
Issuance Costs	437,583	-	-	(437,583)
<b>Totals</b>	<b>\$ 31,591,068</b>	<b>\$ 1,607,889</b>	<b>\$ 4,695,751</b>	<b>(25,287,428)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				9,805,085
Debt Service				3,867,366
Permanent Improvements				462,824
Grants and Entitlements not Restricted to Specific Programs				10,987,855
Gifts and Donations not Restricted to Specific Programs				700
Investment Earnings				48,003
Gain on Sale of Assets				167,977
Payments in Lieu of Taxes				26,287
Miscellaneous				275,250
<i>Total General Revenues</i>				<u>25,641,347</u>
<i>Change in Net Position</i>				353,919
<i>Net Position Beginning of Year - As Restated - See Note 25</i>				<u>(1,852,283)</u>
<i>Net Position End of Year</i>				<u>\$ (1,498,364)</u>

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

**Gallia County Local School District**

*Balance Sheet*

*Governmental Funds*

*As of June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 5,991,796	\$ 8,785,938	\$ 2,487,638	\$ 17,265,372
Receivables:				
Property Taxes	10,959,768	4,246,908	547,994	15,754,670
Accounts	3,473	-	528	4,001
Accrued Interest	-	-	3,294	3,294
Interfund	141,867	-	-	141,867
Intergovernmental	144,834	-	186,282	331,116
<i>Total Assets</i>	<u>\$ 17,241,738</u>	<u>\$ 13,032,846</u>	<u>\$ 3,225,736</u>	<u>\$ 33,500,320</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 28,806	\$ -	\$ 12,902	\$ 41,708
Accrued Wages and Benefits Payable	1,511,805	-	147,701	1,659,506
Contracts Payable	3,850	-	-	3,850
Interfund Payable	-	-	129,851	129,851
Matured Compensated Absences Payable	103,531	-	-	103,531
Intergovernmental Payable	400,535	-	61,489	462,024
<i>Total Liabilities</i>	<u>2,048,527</u>	<u>-</u>	<u>351,943</u>	<u>2,400,470</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes not Levied to Finance Current Year Operations	10,355,935	4,012,923	517,803	14,886,661
Unavailable Revenue - Delinquent Taxes	444,465	172,230	22,223	638,918
Unavailable Revenue - Grants	-	-	28,829	28,829
<i>Total Deferred Inflows of Resources</i>	<u>10,800,400</u>	<u>4,185,153</u>	<u>568,855</u>	<u>15,554,408</u>
<b>Fund Balances</b>				
Nonspendable	-	-	92,000	92,000
Restricted	-	8,847,693	2,287,319	11,135,012
Assigned	3,449,271	-	-	3,449,271
Unassigned (Deficit)	943,540	-	(74,381)	869,159
<i>Total Fund Balances</i>	<u>4,392,811</u>	<u>8,847,693</u>	<u>2,304,938</u>	<u>15,545,442</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 17,241,738</u>	<u>\$ 13,032,846</u>	<u>\$ 3,225,736</u>	<u>\$ 33,500,320</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  
 As of June 30, 2015*

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**Total Governmental Fund Balances** \$ 15,545,442

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. 52,604,869

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

Taxes	638,918
Intergovernmental	28,829
	667,747

Total 667,747

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

Deferred outflows of resources related to pensions	2,083,526
Deferred inflows of resources related to pensions	(5,021,339)
Net Pension Liability	(26,730,944)

Total (29,668,757)

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. 214,217

Long-term liabilities, including bonds, capital lease obligations, 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	(402,805)
Compensated Absences	(1,050,119)
Capital Lease Obligations	(1,602,247)
General Obligation Bonds	(36,120,000)
Premium on Bonds	(4,008,341)
Unamortized Deferred Amount on Refunding	2,321,630

Total (40,861,882)

**Net Position of Governmental Activities** \$ (1,498,364)

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, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 9,802,733	\$ 3,843,738	\$ 485,424	\$ 14,131,895
Intergovernmental	11,531,063	295,579	4,046,135	15,872,777
Investment Earnings	35,201	-	12,802	48,003
Charges for Services	35,717	-	44,008	79,725
Tuition and Fees	1,349,035	-	-	1,349,035
Extracurricular Activities	36,529	-	141,462	177,991
Gifts and Donations	700	-	-	700
Payments in Lieu of Taxes	26,287	-	-	26,287
Miscellaneous	275,250	-	-	275,250
<i>Total Revenues</i>	<u>23,092,515</u>	<u>4,139,317</u>	<u>4,729,831</u>	<u>31,961,663</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,269,653	-	384,103	9,653,756
Special	1,947,299	-	1,020,098	2,967,397
Vocational	520,805	-	-	520,805
Other	2,606,138	-	-	2,606,138
Support Services:				
Pupil	608,110	-	25,636	633,746
Instructional Staff	383,687	-	335,969	719,656
Board of Education	139,398	-	-	139,398
Administration	2,168,769	-	126,195	2,294,964
Fiscal	683,375	126,054	60,374	869,803
Business	18,148	-	-	18,148
Operation and Maintenance of Plant	2,300,277	-	16,179	2,316,456
Pupil Transportation	1,976,284	-	253,713	2,229,997
Central	451,291	-	322,759	774,050
Operation of Non-Instructional Services	-	-	1,258,936	1,258,936
Extracurricular Activities	357,236	-	157,255	514,491
Capital Outlay	86,477	-	752,427	838,904
Debt Service:				
Principal	6,159	1,305,000	260,608	1,571,767
Interest and Fiscal Charges	777	1,335,719	56,405	1,392,901
Issuance Costs	-	437,583	-	437,583
<i>Total Expenditures</i>	<u>23,523,883</u>	<u>3,204,356</u>	<u>5,030,657</u>	<u>31,758,896</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(431,368)</u>	<u>934,961</u>	<u>(300,826)</u>	<u>202,767</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	336,874	336,874
Refunding Bonds Issued	-	35,350,000	-	35,350,000
Premium on Refunding Bonds Issued	-	4,070,651	-	4,070,651
Payment to Refunded Bond Escrow Agent	-	(38,983,068)	-	(38,983,068)
Proceeds from Sale of Assets	269,485	-	-	269,485
Transfers Out	(336,874)	-	-	(336,874)
<i>Total Other Financing Sources (Uses)</i>	<u>(67,389)</u>	<u>437,583</u>	<u>336,874</u>	<u>707,068</u>
<i>Net Change in Fund Balances</i>	(498,757)	1,372,544	36,048	909,835
<i>Fund Balances Beginning of Year</i>	<u>4,891,568</u>	<u>7,475,149</u>	<u>2,268,890</u>	<u>14,635,607</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,392,811</u>	<u>\$ 8,847,693</u>	<u>\$ 2,304,938</u>	<u>\$ 15,545,442</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, 2015*

**Net Change in Fund Balances - Total Governmental Funds** \$ 909,835

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	838,904	
Current Year Depreciation	<u>(2,515,042)</u>	
Total		(1,676,138)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the proceeds from the sale of capital assets, the gain on the sale of capital assets, and the loss on the disposal of capital assets.

Proceeds from Sale of Capital Assets	(269,485)	
Gain on Sale of Capital Assets	167,977	
Loss on Disposal of Capital Assets	<u>(68,876)</u>	
Total		(170,384)

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

Taxes	3,380	
Intergovernmental	<u>(189,171)</u>	
Total		(185,791)

Bond proceeds and related premiums are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Refunding bonds issued	(35,350,000)	
Premium on bonds	<u>(4,070,651)</u>	
Total		(39,420,651)

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	158,279	
Amortization of deferred amount on refunding	<u>(62,747)</u>	
Total		95,532

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. In the current fiscal year, these amounts consist of:

Bond payments	1,305,000	
Capital lease payments	266,767	
Payment to refunded bond escrow agent	<u>38,983,068</u>	
Total		40,554,835

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

1,752,388

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

(1,295,483)

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.

(9,452)

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.

Decrease in Compensated Absences	56,188	
Increase in accrued interest payable	<u>(256,960)</u>	
Total		<u>(200,772)</u>

**Net Change in Net Position of Governmental Activities** \$ 353,919

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, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$ 21,520,783	\$ 23,810,067	\$ 25,631,186	\$ 1,821,119
Total Expenditures and Other Uses	<u>25,257,847</u>	<u>26,639,988</u>	<u>26,431,611</u>	<u>208,377</u>
Net Change in Fund Balance	(3,737,064)	(2,829,921)	(800,425)	2,029,496
Fund Balance, July 1	5,516,662	5,516,662	5,516,662	-
Prior Year Encumbrances Appropriated	<u>308,479</u>	<u>308,479</u>	<u>308,479</u>	<u>-</u>
Fund Balance, June 30	<u><u>\$ 2,088,077</u></u>	<u><u>\$ 2,995,220</u></u>	<u><u>\$ 5,024,716</u></u>	<u><u>\$ 2,029,496</u></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*  
*As of June 30, 2015*

	Internal Service Fund
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 226,233
<i>Total Assets</i>	226,233
<b>Liabilities</b>	
Current Liabilities:	
Interfund Payable	12,016
<i>Total Liabilities</i>	12,016
<b>Net Position</b>	
Unrestricted	214,217
<i>Total Net Position</i>	\$ 214,217

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, 2015*

	Internal Service Fund
<b>Operating Expense</b>	
Purchased Services	\$ 9,452
<i>Total Operating Expense</i>	9,452
<i>Changes in Net Postion</i>	(9,452)
<i>Net Postion at Beginning of Year</i>	223,669
<i>Net Postion at End of Year</i>	\$ 214,217

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, 2015

	Internal Service Fund
<b><i>Increase in Cash, Cash Equivalents and Investments</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 32,016
Cash Payments for Purchased Services	(30,590)
<i>Net Cash Provided by Operating Activities</i>	1,426
Increase in Cash, Cash Equivalents and Investments	1,426
Cash, Cash Equivalents and Investments at Beginning of Year	224,807
Cash, Cash Equivalents and Investments at End of Year	\$ 226,233
<b><i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i></b>	
Operating Loss	\$ (9,452)
<i>Changes in Assets and Liabilities:</i>	
Increase in Interfund Payable	10,878
<i>Net Cash Provided by Operating Activities</i>	\$ 1,426

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*  
*As of June 30, 2015*

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 28,318	\$ 97,295
Cash and Cash Equivalents with Fiscal Agent	-	1,362
Total Assets	<u>\$ 28,318</u>	<u>\$ 98,657</u>
<b>Liabilities</b>		
Undistributed Monies	<u>\$ -</u>	<u>\$ 98,657</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$ 28,318</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, 2015*

	Private Purpose Trust Fund
<b>Additions</b>	
Gifts and Contributions	\$ 28,568
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	1,650
<i>Change in Net Position</i>	26,918
<i>Net Position Beginning of Year</i>	1,400
<i>Net Position End of Year</i>	\$ 28,318

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, 2015*

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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 97 non-certificated and 173 certified personnel providing education to approximately 2,389 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 six organizations, four 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 Southeastern Ohio Voluntary Education Cooperative, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Educational Regional Service System, 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, 2015*

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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, 2015*

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

The other governmental funds of the School District account for 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, 2015 the fund had no claims to process. The remaining net position of \$214,217 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, 2015*

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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 liabilities, and the recording of net pension liabilities.

***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, 2015 and for pensions. The deferred outflows of resources related to the pension are explained in Note 10. 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 and grants which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes 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 pension are only reported on the Statement of Net Position. (See Note 10)

***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, 2015*

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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 2015, 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 \$35,201 and \$12,802 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, 2015*

**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 fair market 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:

Description	Estimated Lives
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.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**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 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 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 the 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, 2015*

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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 \$11,343,685 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 the current 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.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

***Q. Pensions***

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

**NOTE 3 – ACCOUNTABILITY**

***Accountability***

At June 30, 2015, the Lunchroom, Restructing Team Grant, Title VI-B, and Early Childhood had deficit fund balances of \$66,279, \$1,989, \$5,568, and \$545, 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.

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

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

Net Change in Fund Balance	
General Fund	
GAAP Basis	(\$498,757)
Revenue Accruals	2,307,216
Expenditure Accrual	(1,665,573)
Perspective Difference:	
Activity of Fund Reclassified for	
GAAP Reporting Purposes	(5,137)
Encumbrances	<u>(938,174)</u>
Budget Basis	<u><u>(\$800,425)</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 demand 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;



**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The School District's bank balance of \$18,104,388 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 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 2015 taxes were collected for the School District are:

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$253,731,660	55.18%	\$252,029,150	52.76%
Public Utility	206,091,230	44.82%	225,731,770	47.24%
Total Assessed Value	\$459,822,890	100.00%	\$477,760,920	100.00%
Tax rate per \$1,000 of assessed valuation	\$28.75		\$28.75	

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, 2015, are available to finance fiscal year 2015 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, 2015*

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2015 was \$159,368 in the General Fund, \$61,755 in the Bond Retirement Fund, and \$7,968 in the Permanent Improvement Fund and was recognized as revenue for the fiscal year.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 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. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>General Fund</i>	\$144,834
<i>Non-Major Special Revenue Funds:</i>	
Lunchroom	8,628
District Managed Activity	897
Restructing Team Grant	3,075
Special Education, Part B-IDEA	160,161
Title I	22
Race to the Top	13,499
Total Non-Major Special Revenue Funds	<u>186,282</u>
Total Intergovernmental Receivables	<u><u>\$331,116</u></u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
<b>Capital Assets:</b>				
<b>Capital Assets not being depreciated:</b>				
Land	\$ 743,342	\$ -	\$ (101,508)	\$ 641,834
Construction in Progress	230,160	176,250	(230,160)	\$ 176,250
<b>Total Capital Assets not being Depreciated</b>	<b>973,502</b>	<b>176,250</b>	<b>(331,668)</b>	<b>818,084</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	6,447,317	463,069	(19,313)	6,891,073
Buildings and Improvements	62,875,803	28,166	(564,879)	62,339,090
Furniture and Equipment	1,361,780	106,066	(11,974)	1,455,872
Infrastructure	160,233	-	(10,036)	150,197
Library and Textbooks	1,138,235	-	-	1,138,235
Vehicles	3,242,563	295,513	(51,552)	3,486,524
<b>Total Capital Assets being Depreciated</b>	<b>75,225,931</b>	<b>892,814</b>	<b>(657,754)</b>	<b>75,460,991</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(3,340,964)	(1,016,466)	19,313	(4,338,117)
Buildings and Improvements	(13,895,204)	(1,274,193)	497,007	(14,672,390)
Furniture and Equipment	(643,664)	(73,046)	11,974	(704,736)
Infrastructure	(105,686)	(3,104)	9,032	(99,758)
Library and Textbooks	(1,138,235)	-	-	(1,138,235)
Vehicles	(2,624,289)	(148,233)	51,552	(2,720,970)
<b>Total Accumulated Depreciation</b>	<b>(21,748,042)</b>	<b>(2,515,042)</b>	<b>588,878</b>	<b>(23,674,206)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>53,477,889</b>	<b>(1,622,228)</b>	<b>(68,876)</b>	<b>51,786,785</b>
<b>Capital Assets, Net</b>	<b>\$ 54,451,391</b>	<b>\$ (1,445,978)</b>	<b>\$ (400,544)</b>	<b>\$ 52,604,869</b>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$ 1,421,141
Special	16,297
Vocational	3,714
<b>Support Services:</b>	
Board of Education	8,002
Administration	12,732
Operation and Maintenance of Plant	7,254
Pupil Transportation	152,379
Central	694
Operation of Non-Instructional Services	11,350
Extracurricular Activities	881,479
<b>Total Depreciation Expense</b>	<b>\$ 2,515,042</b>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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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 2015, 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 2015 are as follows:

Buildings and Contents	\$87,786,954
Earth Movement Limit	2,000,000
Flood Limit	2,000,000
Crime Coverage	100,000
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.

For fiscal year 2015, 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 Anthem Life 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, dental and prescription drug insurance for all eligible employees through United Healthcare. The School District pays monthly premiums of up to \$1,610.26 for family coverage and up to \$638.98 for individual coverage. The School District provides dental insurance for all eligible employees through CoreSource. The School District pays monthly premiums of up to \$73.96 for family coverage and up to \$29.01 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, as more fully described in Note 25. The net pension liability has been disclosed below. The net pension liability reported on the statement of net position represents a liability to employees for pensions.

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

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

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

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

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

**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, 2015*

**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.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$404,539 for fiscal year 2015. Of this amount \$25,776 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, 2015*

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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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$1,331,788 for fiscal year 2015. Of this amount \$222,552 is reported as an intergovernmental payable.



**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**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, 2015 was measured as of June 30, 2014, 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 as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,801,114	\$21,929,830	\$26,730,944
Proportion of the Net Pension Liability	0.094866%	0.09015917%	
Pension Expense	\$282,345	\$1,013,138	\$1,295,483

At June 30, 2015, the 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	\$40,863	\$211,122	\$251,985
Differences between School District contributions and proportionate share of contributions	79,153	-	79,153
School District contributions subsequent to the measurement date	453,532	1,298,856	1,752,388
<b>Total</b>	<u>\$573,548</u>	<u>\$1,509,978</u>	<u>\$2,083,526</u>

<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$779,234	\$4,057,102	\$4,836,336
Differences between School District contributions and proportionate share of contributions	0	185,003	185,003
<b>Total</b>	<u>\$779,234</u>	<u>\$4,242,105</u>	<u>\$5,021,339</u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**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)

\$1,752,388 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	(\$164,804)	(\$1,007,746)	(\$1,172,550)
2017	(164,804)	(1,007,746)	(1,172,550)
2018	(164,805)	(1,007,746)	(1,172,551)
2019	(164,805)	(1,007,745)	(1,172,550)
Total	(\$659,218)	(\$4,030,983)	(\$4,690,201)

**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, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

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

**Actuarial Assumptions - SERS** (continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$6,849,763	\$4,801,114	\$3,078,023

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

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

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

**Actuarial Assumptions – STRS** (continued)

***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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$31,394,943	\$21,929,830	\$13,925,530

**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, 2015, three of the School District's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**State Teachers Retirement System**

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

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$90,381, and \$93,849 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$50,639.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$81,605, \$52,067, and \$50,938, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

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

During previous fiscal years, the School District entered into an agreement for copiers and into an agreement with Ohio Valley Bank to lease the Athletic fields and construct facilities thereon. These leases meet 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 have been recorded on the government-wide statements.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE** (continued)

Future minimum lease payments as of June 30, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 323,949
2017	322,220
2018	318,753
2019	317,013
2020	317,013
2021	<u>158,507</u>
Total	1,757,455
Less: Amount Representing Interest	<u>(155,208)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 1,602,247</u></u>

The construction and leases were capitalized in the amount of \$2,725,342 which represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2015 were \$266,767 in the governmental funds.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2015 were as follows:

	<u>Principal Outstanding 06/30/14*</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 06/30/15</u>	<u>Due Within One Year</u>
Classroom Facilities General Obligation Bonds 2006 3.75% Premium	37,900,000 869,660	- -	(36,795,000) (824,848)	1,105,000 44,812	1,105,000 -
Classroom Facilities General Obligation Bonds 2014 2% - 5% Premium	- -	35,350,000 4,070,651	(335,000) (107,122)	35,015,000 3,963,529	70,000 -
Total Long-Term Bonds	<u>38,769,660</u>	<u>39,420,651</u>	<u>(38,061,970)</u>	<u>40,128,341</u>	<u>1,175,000</u>
Net Pension Liability:					
STRS	26,122,670	-	(4,192,840)	21,929,830	-
SERS	5,641,377	-	(840,263)	4,801,114	-
Total Net Pension Liability	<u>31,764,047</u>	<u>-</u>	<u>(5,033,103)</u>	<u>26,730,944</u>	<u>-</u>
Compensated Absences	1,106,307	921,333	(977,521)	1,050,119	186,647
Capital Leases	1,869,014	-	(266,767)	1,602,247	275,381
Total Long-Term Obligations	<u><u>\$ 73,509,028</u></u>	<u><u>\$ 40,341,984</u></u>	<u><u>\$ (44,339,361)</u></u>	<u><u>\$ 69,511,651</u></u>	<u><u>\$ 1,637,028</u></u>

\* As restated - see Note 25

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

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

The General Obligation Bonds were issued in 2006 in the amount of \$43,000,000. These bonds were issued for the purpose of constructing and renovating school buildings. \$35,825,000 of the Bonds were defeased with the proceeds from the refunding bonds issued during fiscal year 2015. The remaining \$1,105,000 will be retired with property taxes from the Debt Service Fund through December 2016.

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 2015 was \$62,747.

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 are not included in the School District's financial statements. As of June 30, 2015, \$35,825,000 of the bonds was unmatured and unpaid and will be redeemed on June 1, 2016.

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.

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 General Fund, the Permanent Improvement Fund and the Title I Fund.

The School District's voted legal debt margin was \$6,878,483. The School District has an unvoted debt margin of \$477,761 at June 30, 2015.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015, are as follows:

	Principal	Interest	Total
2016	\$1,175,000	\$2,522,495	\$3,697,495
2017	1,200,000	1,563,800	2,763,800
2018	1,270,000	1,527,800	2,797,800
2019	1,410,000	1,477,000	2,887,000
2020	1,500,000	1,420,600	2,920,600
2021-2025	8,460,000	6,129,500	14,589,500
2026-2030	10,645,000	3,944,000	14,589,000
2031-2034	10,460,000	1,227,100	11,687,100
Total	\$36,120,000	\$19,812,295	\$55,932,295



**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

A. **SOUTHEAST OHIO VOLUNTARY EDUCATIONAL COOPERATIVE**

The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 25 participants consisting of 20 school districts, 3 joint vocational school districts and 2 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information, write to Southeast Ohio Voluntary Education Cooperative, Jimmy Battrell, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701.

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, Donalyn Smith, 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 2015, the School District made \$70,231 in contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Lily Blevins, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.

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 Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 39105 Bradbury Road, Middleport, Ohio 45760.

**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.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material adverse effect, if any, on the financial condition of the School District.

C. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**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.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 18- STATUTORY SET-ASIDES** (continued)

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, 2014	\$0
Current year set-aside requirement	374,256
Current Year Qualifying disbursements	(374,256)
Set-aside Balance as of June 30, 2015	\$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, 2015.

**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, 2015*

**NOTE 20– INTERFUND ACTIVITY**

**A. Advances**

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2016 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$141,867	\$0
Non-Major Special Revenue Funds		
Restructing Team Grant	0	3,082
Title VI-B	0	126,769
Total Non-Major Special Revenue Funds	0	129,851
Internal Service Fund	0	12,016
Total Interfund Receivables/Payables	\$141,867	\$141,867

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 and also due to a small amount due from the Internal Service Fund. The General Fund will be reimbursed when funds become available in the Non-Major special revenue funds and in the 2015 fiscal year for the Internal Service Fund.

**B. Transfers**

Transfers of \$336,874 were made from the General Fund to the Food Services and District Managed Activities Funds to move unrestricted balances to support programs in the amount of \$317,679 and \$19,195, respectively.

**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: 41 days maximum for one to nine years of service; 46 days maximum for 10 to 19 years of service; and 60 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: 43 days maximum for one to nine years of service; 48 days maximum for 10 to 19 years of service; and 53 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, 2015

**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	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Scholarship	\$0	\$0	\$92,000	\$92,000
<b>Restricted for</b>				
Contributions	0	0	2,043	2,043
Other Purposes	0	0	467,590	467,590
Capital Improvements	0	0	1,817,686	1,817,686
Debt Services Payments	0	8,847,693	0	8,847,693
Total Restricted	<u>0</u>	<u>8,847,693</u>	<u>2,287,319</u>	<u>11,135,012</u>
<b>Assigned to</b>				
FY16 Appropriations in excess of Estimated Receipts	2,538,613	0	0	2,538,613
Other Purposes	910,658	0	0	910,658
Total Assigned	<u>3,449,271</u>	<u>0</u>	<u>0</u>	<u>3,449,271</u>
<b>Unassigned (Deficit)</b>	<u>943,540</u>	<u>0</u>	<u>(74,381)</u>	<u>869,159</u>
Total Fund Balances	<u>\$4,392,811</u>	<u>\$8,847,693</u>	<u>\$2,304,938</u>	<u>\$15,545,442</u>

**NOTE 23 – CONTRACT COMMITMENTS**

The School District has entered into the following contract for the purpose of constructing two athletic facilities and a baseball field:

Contractor	Contract Amount	Amount Paid as of 6/30/15	Remaining Balance
Crown Excavating	\$ 235,000	\$ 176,250	\$ 58,750

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 24 – ENCUMBRANCES**

At June 30, 2015, the School District had encumbrance commitments in governmental funds as follows:

Major Fund:	
General	\$939,394
Non-Major Funds:	
Scholarship	3,000
Lunchroom	5,775
Permanent Improvement	9,175
Construction	451,085
Athletics	4,420
One Net Grant	14,400
IDEA-B	5,749
Title I	149,711
Miscellaneous Federal Grants	<u>1,050</u>
Total Non-Major Funds	<u>644,365</u>
Total Funds	<u>\$1,583,759</u>

**NOTE 25 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability

The impact of the application of Statement No. 68 and Statement No. 71 had the following effect on beginning net position.

Net position, July 1, 2014-As previously stated	\$28,273,379
School District Share of Beginning Plan Net Pension Liability	(31,764,047)
School District Share of 2014 Employer Contributions	<u>1,638,385</u>
Net position, July 1, 2014-As restated	<u>(\$1,852,283)</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE 26 – SUBSEQUENT EVENT**

On November 16, 2015, the Board approved the Vista Project under HB 264 in the amount of \$3,327,920 to be financed with a QZAB bond.

**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 Two Years*

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.094866%	0.094866%
School District's proportionate share of the net pension liability	\$ 4,801,114	\$ 5,641,377
School District's covered-employee payroll	\$ 2,898,847	\$ 3,137,890
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.60%	179.80%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

**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 Two Years*

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.09015917%	0.09015917%
School District's proportionate share of the net pension liability	\$ 21,929,830	\$ 26,122,670
School District's covered-employee payroll	\$ 9,212,062	\$ 9,275,954
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	281.60%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%



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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 404,539	\$ 382,068	\$ 434,284	\$ 405,795	\$ 335,403	\$ 450,305	\$ 243,703	\$ 297,173	\$ 323,387	\$ 299,620
Contributions in relation to the contractually required contribution	(404,539)	(382,068)	(434,284)	(405,795)	(335,403)	(450,305)	(243,703)	(297,173)	(323,387)	(299,620)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$2,918,752	\$ 2,898,847	\$ 3,137,890	\$ 3,017,063	\$ 2,668,282	\$ 3,325,739	\$ 2,476,657	\$ 3,026,202	\$ 3,027,968	\$ 2,831,947
Contributions as a percentage of covered employee payroll	13.86%	13.18%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,331,788	\$ 1,197,568	\$ 1,205,874	\$ 1,248,427	\$ 1,261,201	\$ 1,301,300	\$ 1,250,503	\$ 1,254,888	\$ 1,353,837	\$ 1,077,982
Contributions in relation to the contractually required contribution	<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>	<u>(1,301,300)</u>	<u>(1,250,503)</u>	<u>(1,254,888)</u>	<u>(1,353,837)</u>	<u>(1,077,982)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 9,512,771	\$ 9,212,062	\$ 9,275,954	\$ 9,603,285	\$ 9,701,546	\$ 10,010,000	\$ 9,619,254	\$ 9,652,985	\$ 10,414,131	\$ 8,292,169
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014/2015	10.555	\$ 42,730	\$ 42,730
Cash Assistance:				
School Breakfast Program	2014/2015	10.553	305,783	305,783
National School Lunch Program	2014/2015	10.555	745,418	745,418
Cash Assistance Subtotal			<u>1,051,201</u>	<u>1,051,201</u>
Total Child Nutrition Cluster			1,093,931	1,093,931
Total U.S. Department of Agriculture			1,093,931	1,093,931
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2014 2015	84.010	269,014 <u>1,164,896</u>	156,441 <u>810,184</u>
Total Title I Grants to Local Educational Agencies			1,433,910	966,625
Special Education Cluster:				
Special Education - Grants to States	2014 2015	84.027	86,829 <u>504,500</u>	34,298 <u>625,509</u>
Total Special Education - Grants to States			591,329	659,807
Special Education - Preschool Grants	2014 2015	84.173	9,576 <u>16,906</u>	2,716 <u>14,664</u>
Total Special Education - Preschool Grants			26,482	17,380
Total Special Education Cluster			617,811	677,187
Twenty-First Century Community Learning Centers	2014 2015	84.287	325,464 <u>450,000</u>	0 <u>450,000</u>
Total Twenty-First Century Community Learning Centers			775,464	450,000
Rural Education	2014 2015	84.358	27,289 <u>73,874</u>	23,750 <u>36,999</u>
Total Rural Education			101,163	60,749
Improving Teacher Quality State Grants	2014 2015	84.367	111,275 <u>290,197</u>	26,524 <u>190,859</u>
Total Improving Teacher Quality State Grants			401,472	217,383
ARRA - Race To the Top	2014 2015	84.395A	48,265 <u>106,723</u>	14,422 <u>106,723</u>
Total Race To the Top			154,988	121,145
Total U.S. Department of Education			<u>3,484,808</u>	<u>2,493,089</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 4,578,739</u></b>	<b><u>\$ 3,587,020</u></b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.*

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the School District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - 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.



# Dave Yost • Auditor of State

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

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, 2015, 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 April 29, 2016, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 29, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Gallia County Local School District's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the School District's compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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.

***Basis for Qualified Opinion on Title I, Special Education Cluster and Improving Teacher Quality***

As described in Findings 2015-002 and 2015-003 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-002	84.027 & 84.173	Special Education Cluster	Cash Management
2015-003	84.010 & 84.367	Title I & Improving Teacher Quality	Cash Management

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to these programs.

***Qualified Opinion on Title I, Special Education Cluster and Improving Teacher Quality***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I, Special Education Cluster and Improving Teacher Quality* paragraph, the Gallia County Local School District, Gallia County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I, Special Education Cluster and Improving Teacher Quality programs for the year ended June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings as item 2015-001. This finding did not require us to modify our compliance opinion on each major federal program.

The School District's responses to our noncompliance findings are described in the accompanying Schedule of Findings and corrective action plan. We did not audit the School District's responses and, accordingly, we express no opinion on them.

***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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.



*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's 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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2015-002 and 2015-003 to be material weaknesses.

The School District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not audit the School District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 29, 2016

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**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies – CFDA #84.010</li> <li>• Special Education Cluster – CFDA #'s 84.027 and 84.173</li> <li>• Improving Teacher Quality State Grants – CFDA #84.367</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: All others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2015-001
<b>CFDA Title and Number</b>	Special Education – Grants to States – CFDA #84.027 Special Education – Preschool – CFDA #84.173 Title I Grants to Local Educational Agencies – CFDA #84.010 Improving Teacher Quality – CFDA #84.367
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance – Reporting**

OMB Circular Number A-133, Subpart C, §\_.300(a) requires the auditee to identify in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

During current year testing of the School District's Federal Schedule, we noted the disbursements included repayments of fiscal year 2014 advances in major federal programs totaling \$256,716, which are not considered Federal disbursements as follows:

- CFDA #84.027 Special Education - Grants to States in the amount of \$52,532.
- CFDA #84.173 Special Education - Preschool Grants in the amount of \$6,860.
- CFDA #84.010 Title I Grants to Local Educational Agencies in the amount of \$112,573.
- CFDA #84.367 Improving Teacher Quality State Grants in the amount of \$84,751.

We also noted the disbursements of repayments of fiscal year 2014 advances in nonmajor federal programs totaling \$362,845 which are not considered Federal disbursements as follows:

- CFDA #84.287 Twenty-First Century in the amount of \$325,464.
- CFDA #84.358 Rural Education in the amount of \$3,539.
- CFDA #84.395A ARRA - Race to the Top in the amount of \$33,842.

The Treasurer should ensure all repayments of advances are not included in the disbursements listed on the Schedule of Federal Awards Receipts and Expenditures.

**Officials' Response:** In the past, the Treasurer prepared the Schedule of Federal Awards Receipts and Expenditures report by using the data from the "FINSUM" (financial summary) report generated from the state software. This report does not separate out the specific types of disbursements and expenditures. It only shows total expenditures and receipts. Using this report as the data source resulted in the advances and repayments not being obvious while preparing the Federal Schedule.

The Treasurer will stop using the "FINSUM" report as the data source, and will begin using a "FINDET" (financial detail) report instead. This report will show the detail as to the type of expenditure and receipt. This report can also be queried to exclude specific transaction types. By changing the report used as the data source, this will reduce the chance of inadvertently including any advances or repayment of advances in the Federal Schedule.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015  
(Continued)**

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

<b>Finding Number</b>	2015-002
<b>CFDA Title and Number</b>	Special Education – Grants to States – CFDA #84.027 Special Education – Preschool – CFDA #84.173
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 CFR Part 80.21 updated the Project Cash Request form to identify "Total Expenditures by Object Code (year-to-date)" rather than just "Total Expenditures" for the grant. Under OMB Circular A-87, Appendix, the new PCR form will assist ODE, school districts, and their auditors in determining compliance with Federal program budget modifications prior to incurring costs and making cash requests.

ODE Budget Form Instructions requires a project budget to be completed for each grant that a school district or other agency receives from the Ohio Department of Education (ODE). For school districts, this budget sheet conforms to the Uniform School Accounting System (USAS) as required by Ohio Auditor of State and those laws and regulations that pertain to federal grants.

A completed project budget sheet must be submitted to, reviewed by and approved by the appropriate program office administering the project or grant prior to conducting any grant activities. The ODE approved budget will be sent to the entity office and should be maintained with other important documents pertaining to this grant. Additionally, entities may wish to forward a copy to the fiscal office to provide a complete audit trail. Any revisions in the approved budget amounts must be requested in a proposed revised budget and submitted prior to incurring costs different from approved amounts. Budget revision requests are then submitted to, reviewed by, and approved by the appropriate program office administering the project or grant. All budget revisions must be in writing and on the budget form as ODE does not recognize verbal approvals of budgets or budget revisions.

Special Education funds were included in the consolidated budget on the CCIP. The budget included line items for Salaries, Retirement and Fringe Benefits, Supplies, and Capital Outlay within the Instruction Code. Testing indicated Expenditures in the Salaries and the Retirement and Fringe Benefits line items exceeded the approved budget prior to the Substantially Approved date for the budget revision approved July 2, 2015 as follows:

<u>Line Item</u>	<u>Approved Budget</u>	<u>YTD Expenditures Prior to Approval</u>	<u>Total Unapproved Obligations</u>
Salaries	\$180,000	\$217,224	\$37,234
Retirement and Fringe Benefits	\$40,000	\$65,745	\$25,745

This practice could result in expenditures exceeding appropriations and could lead to questioned costs.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015  
(Continued)**

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

**Finding Number 2015-002 (Continued)**

**Noncompliance and Material Weakness – Cash Management – 34 CFR Part 80.21 (Continued)**

The School District should refrain from obligating funds until after the Substantially Approved date for the original budget as well as any budget revisions which may occur throughout the year.

**Officials’ Response:** The original CCIP budgeted amount for salaries and benefits needed to be increased due to an increase in the use of additional aides and sub teachers during state testing and IEP writing. The testing time was extended, therefore there was more time for the schools to work with the students who needed extra assistance. There was also an increase on some of the salary schedules during the year. These adjustments left the CCIP approved amounts insufficient to cover the payroll items. The shortfall was due to the approved activities costing more than anticipated, not because of any major change of activities. When it became obvious to the payroll department that a revision would be needed, it was already late in the process. The revision was submitted but then rejected due to a comment regarding supplies, because supplies had been deleted from the budget, so the grant approver requested the comment regarding supplies be removed. Then while the budget revision was still open for that correction, the grant coordinator decided to include a revision to Title VI-B, which delayed the revision approval even further. By the time the final version of the CCIP budget was approved, the salaries had already been paid.

In order to prevent this violation from being repeated, the Special Education Coordinator will notify the schools that any increased use of subs for testing and IEP writing will need to be approved in advance with specific number of days if they wish it to be paid from the grant. The Special Education Coordinator and the Treasurer will work together to review the salary and benefit categories at interim periods during the year to make sure that any increased payroll expenses are addressed in a budget revision prior to the line items going into negative.

<b>Finding Number</b>	2015-003
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA #84.010 Improving Teacher Quality – CFDA #84.367
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 CFR Part 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 CFR Part 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015  
(Continued)**

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

**Finding Number 2015-003 (Continued)**

**Noncompliance and Material Weakness – Cash Management – 34 CFR Part 80.21(c) (Continued)**

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR Part 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. Ohio Department of Education Project Cash Request Instructions state payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the “Cash Management Act” 31 CFR Part 205, the time elapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds must be expended within the period of time for which cash is requested.

The School District received Title I funds through the Ohio Department of Education. Payments were based upon Project Cash Requests (PCR) submitted by the School District. The School District must spend advances within 30 days. The School District did not expend Title I funds received June 19, 2015 by the required 30 days. The remaining balance after 30 days was \$354,711. In addition, the balance remaining at the September 30, 2015 liquidation date was \$101,602.

The School District also did not expend Improving Teacher Quality funds received June 19, 2015 by the required 30 days. The remaining balance after 30 days was \$99,338. In addition, the balance remaining at the September 30, 2015 liquidation date was \$62,351. This practice can lead to excessive interest and questioned costs.

While imputed interest was not excessive, we noted that failure to timely expend funds can result in excessive interest earned and questioned costs.

The Treasurer should review fund balances periodically to ensure that all federal receipts are expended within the required period.

**Officials’ Response:** In the normal process of a project cash request, the district grant clerk enters the request based on year to date expenditures. Once the request is entered, the Treasurer logs in to review and approve the request. In this particular incident, the Treasurer was training a clerk how to process cash requests which require documentation due to the amount of the advance, and was sitting with the clerk when the request was entered. The clerk accidentally entered the wrong figure in the amount being advanced. The Treasurer did not notice the error, and assisted the clerk with the required documentation for the amount they actually intended to request. Because she was sitting with the clerk when the requests were entered, she did not carefully check the entire request when she logged in to approve it. The Treasurer does realize that by omitting the normal, routine procedure of double checking the entire request, a much larger than desired request was generated.

In the future, the Treasurer will not skip the entire review process when approving requests. The Treasurer does realize that even though there are other processes in place to prevent this from happening, it is possible that those processes can also fail at the same time. This comment is in reference to the ODE requirement of attaching documentation for an amount larger than 10% of the grant. The documentation we attached to the request was not enough documentation to warrant the amount of the request. This should have resulted in a rejection by ODE. The Treasurer now understands better how crucial it is to strictly follow our own internal process of careful review even though the actual entry of the request was being monitored by the Treasurer.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	OMB Circular Number A-133, Subpart C, §_.300(a) – Failure to timely complete the single audit.	No	No longer required to issue noncompliance citation as part of the audit report
2014-002	OMB Circular Number A-133, Subpart C, §_.300(a) – Failure to accurately report expenditures in the Schedule of Federal Awards Receipts and Expenditures	No	Not corrected. Reissued as Finding Number 2015-001



**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	Treasurer will begin using a "FINDET" (financial detail) report as the data source for the Federal Schedule.	Immediate	Julia Slone, Treasurer
2015-002	Limit days that principals can schedule additional aides and subs for testing and IEP preparation. Joint periodic review between the Treasurer and Grant Coordinator of the budgeted salary line items.	Immediate	Julia Slone, Treasurer, and Wendy Halley, Special Education Grant Coordinator
2015-003	Treasurer will always follow the entire review process when approving requests.	Immediate	Julia Slone, Treasurer

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# Dave Yost • Auditor of State

**GALLIA LOCAL SCHOOL DISTRICT**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 17, 2016**