

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

**ELLEN MARPLE, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Gallipolis City School District, Gallia County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 9, 2017

**This page intentionally left blank.**

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	20 - 21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	22
Statement of Fiduciary Net Position - Fiduciary Funds .....	23
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	24
Notes to the Basic Financial Statements.....	25 - 59
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio .....	60
State Teachers Retirement System (STRS) of Ohio .....	61
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio .....	62 - 63
State Teachers Retirement System (STRS) of Ohio .....	64 - 65
Notes to Required Supplementary Information .....	66
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	67
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	68 - 69
Independent Auditor’s Report on Compliance With Requirements Applicable to Each of the Major Federal Programs and on Internal Control Over Compliance Required by the Uniform Guidance .....	70 - 71
Schedule of Findings 2 <i>CFR</i> § 200.515 .....	72

**This page intentionally left blank.**



# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

## Independent Auditor's Report

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District, Gallia County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Gallipolis City School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Gallipolis City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Gallipolis City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallipolis City School District, Gallia County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 18, the District was declared in Fiscal Caution by the Ohio Department of Education (ODE). 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 Information***

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 December 21, 2016, on our consideration of the Gallipolis City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gallipolis City School District's internal control over financial reporting and compliance.





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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The discussion and analysis of the Gallipolis City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- During fiscal year 2016, net position of governmental activities increased \$795,869 which represents a 3.66% increase from fiscal year 2015.
- General revenues accounted for \$21,333,672 in revenue or 78.64% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,793,624 or 21.36% of total revenues of \$27,127,296.
- The District had \$25,332,222 in expenses related to governmental activities; \$5,793,624 of these expenditures were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,333,672 were adequate to provide for these programs.
- The District had two major governmental funds during fiscal year 2016, the general fund and the debt service fund. The general fund had \$21,208,215 in revenues and \$19,671,338 in expenditures. The general fund also had an increase in nonspendable inventory of \$1,601. During fiscal year 2016, the general fund's fund balance increased \$1,536,877 from a deficit of \$559,764 to \$978,714.
- The debt service fund had \$4,986,552 in revenues and other financing sources and \$4,104,458 in expenditures and other financing uses. During fiscal year 2016, the debt service fund's fund balance increased \$882,094 from \$1,893,952 to \$2,776,046.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's Statement of Net Position and Statement of Activities can be found on pages 15-16 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund. All other governmental funds are considered nonmajor.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-22 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-59 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 60-66 of this report.

**The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

THIS SPACE IS INTENTIONALLY LEFT BLANK

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Net Position**

	Governmental Activities 2016	Governmental Activities 2015
<u>Assets</u>		
Current and other assets	\$ 12,292,075	\$ 13,491,601
Capital assets, net	<u>65,454,748</u>	<u>67,219,034</u>
Total assets	<u>77,746,823</u>	<u>80,710,635</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	1,977,281	2,090,809
Pension	<u>3,139,681</u>	<u>1,890,862</u>
Total deferred outflows of resources	<u>5,116,962</u>	<u>3,981,671</u>
Total assets and deferred outflows	<u>82,863,785</u>	<u>84,692,306</u>
<u>Liabilities</u>		
Current liabilities	1,866,086	1,915,884
Long-term liabilities:		
Due within one year	1,258,265	1,252,486
Due in more than one year:		
Net pension liability	29,546,768	25,665,835
Other amounts	<u>21,592,105</u>	<u>22,661,412</u>
Total liabilities	<u>54,263,224</u>	<u>51,495,617</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	4,167,052	6,785,812
Pension	<u>1,871,707</u>	<u>4,644,944</u>
Total deferred inflows of resources	<u>6,038,759</u>	<u>11,430,756</u>
Total liabilities and deferred inflows	<u>60,301,983</u>	<u>62,926,373</u>
<u>Net Position</u>		
Net investment in capital assets	46,449,788	47,219,327
Restricted	4,227,990	4,174,383
Unrestricted (deficit)	<u>(28,115,976)</u>	<u>(29,627,777)</u>
Total net position	<u>\$ 22,561,802</u>	<u>\$ 21,765,933</u>

During 2016, the 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 District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 District's proportionate share of each plan's collective:

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,561,802.

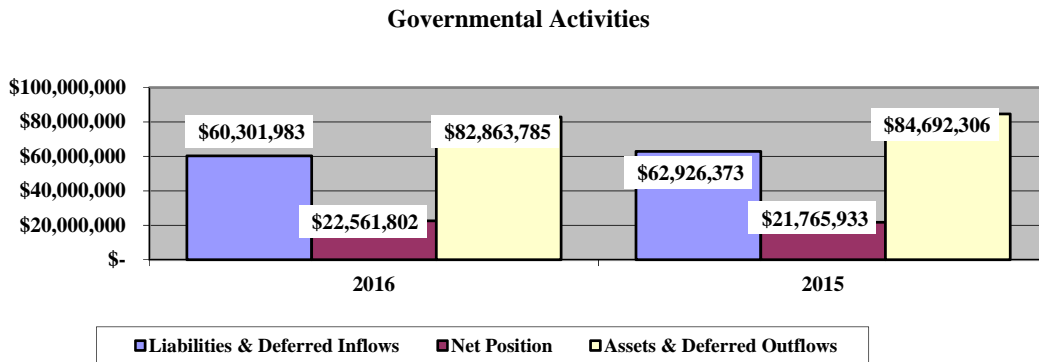
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

At fiscal year-end, capital assets represented 84.19% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Total net investment in capital assets at June 30, 2016 was \$46,449,788. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,227,990, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of (\$28,115,976).

The graph below illustrates the District's total assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2016 and 2015.



The table below shows the change in net position for fiscal year 2016 and 2015.

**Change in Net Position**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,761,108	\$ 1,834,941
Operating grants and contributions	4,028,986	4,075,187
Capital grants and contributions	3,530	1,451
General revenues:		
Property taxes	9,270,327	6,862,075
Grants and entitlements	11,665,108	11,408,355
Investment earnings	14,922	29,254
Miscellaneous	<u>383,315</u>	<u>318,281</u>
Total revenues	<u>27,127,296</u>	<u>24,529,544</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Change in Net Position**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 9,993,187	\$ 9,884,082
Special	4,373,495	3,895,709
Vocational	197,445	215,432
Other	59,150	49,224
Support services:		
Pupil	1,288,131	1,372,224
Instructional staff	995,530	1,051,964
Board of education	68,436	74,471
Administration	1,754,606	1,833,272
Fiscal	513,621	508,623
Business	-	856
Operations and maintenance	2,371,949	2,623,457
Pupil transportation	1,360,276	1,433,831
Central	190,855	197,519
Operation of non-instructional services:		
Food service operations	848,160	781,994
Other non-instructional services	240	-
Extracurricular activities	515,927	526,794
Interest and fiscal charges	801,214	735,286
Total expenses	<u>25,332,222</u>	<u>25,184,738</u>
Special item	<u>(999,205)</u>	<u>-</u>
Change in net position	795,869	(655,194)
Net position at beginning of year	<u>21,765,933</u>	<u>22,421,127</u>
Net position at end of year	<u>\$ 22,561,802</u>	<u>\$ 21,765,933</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$795,869. Total governmental expenses of \$25,332,222 were offset by program revenues of \$5,793,624 and general revenues of \$21,333,672. Program revenues supported 22.87% of the total governmental expenses.

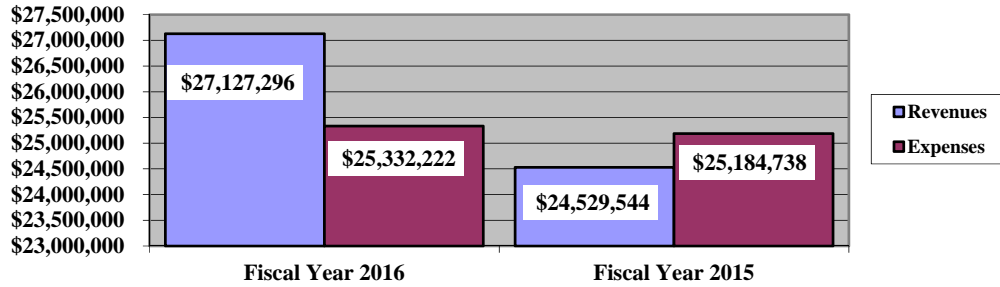
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 77.17% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 9,993,187	\$ 8,334,610	\$ 9,884,082	\$ 8,220,249
Special	4,373,495	1,902,580	3,895,709	1,298,495
Vocational	197,445	178,305	215,432	177,204
Other	59,150	21,101	49,224	11,482
Support services:				
Pupil	1,288,131	1,280,998	1,372,224	1,368,099
Instructional staff	995,530	673,127	1,051,964	682,023
Board of education	68,436	68,436	74,471	74,471
Administration	1,754,606	1,699,706	1,833,272	1,779,251
Fiscal	513,621	510,106	508,623	504,787
Business	-	-	856	856
Operations and maintenance	2,371,949	2,362,326	2,623,457	2,612,266
Pupil transportation	1,360,276	1,195,690	1,433,831	1,249,994
Central	190,855	186,623	197,519	192,865
Operations of non-instructional services:				
Other non-instructional services	240	240	-	-
Food service operations	848,160	(6,629)	781,994	20,736
Extracurricular activities	515,927	330,165	526,794	345,095
Interest and fiscal charges	801,214	801,214	735,286	735,286
<b>Total expenses</b>	<u>\$ 25,332,222</u>	<u>\$ 19,538,598</u>	<u>\$ 25,184,738</u>	<u>\$ 19,273,159</u>



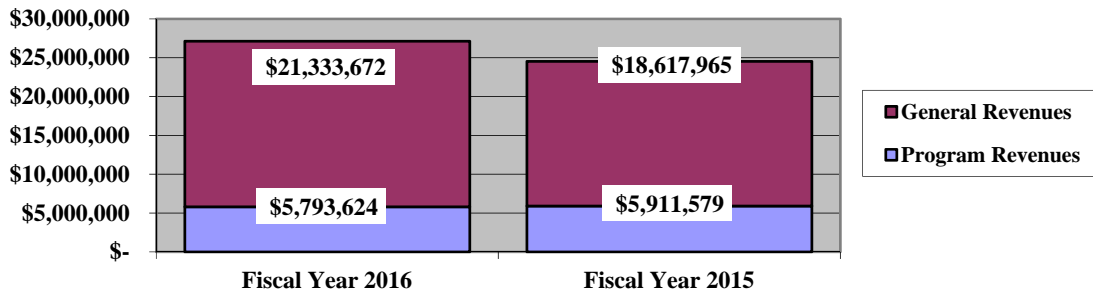
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The dependence upon tax and other general revenues for governmental activities is apparent, 71.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.13%. The District's taxpayers and State unrestricted grants are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$5,630,732, which is higher than last year's total of \$4,015,245. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance June 30, 2016	Fund Balance (deficit) June 30, 2015	Increase (Decrease)
General	\$ 978,714	\$ (559,764)	\$ 1,538,478
Debt service	2,776,046	1,893,952	882,094
Other governmental	<u>1,875,972</u>	<u>2,681,057</u>	<u>(805,085)</u>
Total	<u>\$ 5,630,732</u>	<u>\$ 4,015,245</u>	<u>\$ 1,615,487</u>

**General Fund**

The District's general fund's fund balance increased \$1,538,478.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

	2016 <u>Amount</u>	2015 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentag <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,607,491	\$ 4,821,915	\$ 1,785,576	37.03
Transportation fees	145,442	154,536	(9,094)	(5.88)
Tuition	1,265,525	1,323,017	(57,492)	(4.35)
Earnings on investments	13,890	20,061	(6,171)	(30.76)
Intergovernmental	12,750,860	12,553,633	197,227	1.57
Other revenues	425,007	364,749	60,258	16.52
Total	<u>\$ 21,208,215</u>	<u>\$ 19,237,911</u>	<u>\$ 1,970,304</u>	10.24
<b><u>Expenditures</u></b>				
Instruction	\$ 11,915,230	\$ 12,158,294	\$ (243,064)	(2.00)
Support services	7,408,503	7,787,153	(378,650)	(4.86)
Operation of non-instructional services	240	-	240	100.00
Extracurricular activities	299,663	302,511	(2,848)	(0.94)
Capital outly	-	198,560	(198,560)	(100.00)
Facilities acquisition and construction	2,583	3,461	(878)	(25.37)
Debt service	45,119	18,800	26,319	139.99
Total	<u>\$ 19,671,338</u>	<u>\$ 20,468,779</u>	<u>\$ (797,441)</u>	(3.90)

The District experienced a \$1,970,304 or 10.24% increase in general fund revenues. Taxes increased \$1,785,576 or 37.03% due to a large increase in tax advances available in the current fiscal year. Earning on investments decreased \$6,171 or 30.76% in fiscal year 2016 due to the District holding less monies in their bank accounts. Other local revenues increased \$60,258 or 16.52% due to a SCOCA -Erate reimbursement received in the current fiscal year. All other revenues remained consistent with prior year.

The District experienced a decrease of \$797,441 or 3.90% in expenditures. Capital outlay decreased \$198,560 or 100.00% due to the District entering into a capital lease obligation for copiers in fiscal year 2015. Debt service increased \$26,319 or 139.99% due to the District in the current fiscal year paying a full year principal and interest payments on the copier lease that was entered into during fiscal year 2015. All other expenditures remained consistent with prior year.

***Debt Service Fund***

The debt service fund had \$4,986,552 in revenues and other financing sources and \$4,104,458 in expenditures and other financing uses. During fiscal year 2016, the debt service fund's fund balance increased \$882,094 from \$1,893,952 to \$2,776,046.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budgeted revenues and other financing sources were \$19,400,203, which was more than the original budgeted revenues and other financing sources of \$19,000,000. Actual revenues and other financing sources for fiscal year 2016 were \$19,494,758. This represents an \$94,555 increase from final budgeted amounts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

General fund final appropriations (appropriated expenditures) were \$19,786,171, which was \$484,396 more than the original budgeted expenditures and other financing uses of \$19,301,775. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$19,842,994, which was \$56,823 more than the final budgeted amounts.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2016, the District had \$65,454,748 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows the net capital asset balances at June 30, 2016 and June 30, 2015:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,205,750	\$ 1,205,750
Land improvements	1,275,055	1,378,740
Building and improvements	60,431,683	61,821,558
Furniture and equipment	2,225,800	2,391,112
Vehicles	<u>316,460</u>	<u>421,874</u>
Total	<u>\$ 65,454,748</u>	<u>\$ 67,219,034</u>

The overall decrease in capital assets of \$1,764,286 is primarily due to depreciation expense of \$1,914,850 exceeding capital outlays of \$150,564 in fiscal 2016.

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

*Debt Administration*

At June 30, 2016, the District had \$18,935,460 refunding bonds outstanding and \$150,018 in capital lease obligations. Of this total, \$1,142,547 is due within one year and \$17,942,931 is due in greater than one year. The table on the following page summarizes the bonds and capital lease obligations outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ -	\$ 3,045,000
Refunding bonds	18,935,460	16,680,299
Capital Lease	<u>150,018</u>	<u>187,314</u>
Total	<u>\$ 19,085,478</u>	<u>\$ 19,912,613</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Current Financial Related Activities**

The District has continued to maintain the highest standards of service to its students, parents and community. The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves and to minimize the levy millage amounts needed from the community's citizens. The District has communicated to its community that they rely upon their support for part of its operations, and will continue to work diligently to plan expenses, staying carefully within the five-year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. The last new operating levy approved by the taxpayers was November 1990. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a relatively healthy cash balance.

A tax payer was approved by the State of Ohio for tax exemption. The tax loss to the District is \$170,000 per year beginning with the first tax settlement in calendar year 2014. Funds affected are:

General Fund- \$120,000  
Bond Retirement \$43,000  
Permanent Improvement Fund - \$7,000

The District employs 245 regular and 2 contracted employees. Wage increases for the teaching staff were approved for the 2013-2014 and 2014-2015 school years. Increases for the non-certified employees were approved for the 2014-2015, 2015-2016 and the 2016-2017 school years. The negotiated agreements between the Board of Education and the Gallipolis Education Association expired August 15, 2015 and the OAPSE agreement expires June 2017.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,154,662
Receivables:	
Taxes . . . . .	7,779,039
Accounts. . . . .	8,397
Intergovernmental. . . . .	210,643
Prepayments. . . . .	60,668
Materials and supplies inventory . . . . .	52,632
Inventory held for resale . . . . .	26,034
Capital assets:	
Land . . . . .	1,205,750
Depreciable capital assets, net . . . . .	64,248,998
Capital assets, net. . . . .	65,454,748
Total assets . . . . .	77,746,823
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	1,977,281
Pension - STRS . . . . .	2,604,298
Pension - SERS . . . . .	535,383
Total deferred outflows of resources . . . . .	5,116,962
<b>Liabilities:</b>	
Accounts payable. . . . .	106,971
Contracts payable. . . . .	32,459
Accrued wages and benefits payable . . . . .	1,390,162
Intergovernmental payable . . . . .	31,495
Pension and postemployment benefits payable .	288,482
Accrued interest payable . . . . .	16,517
Long-term liabilities:	
Due within one year. . . . .	1,258,265
Due in more than one year:	
Net pension liability. . . . .	29,546,768
Other amounts due in more than one year .	21,592,105
Total liabilities . . . . .	54,263,224
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . .	4,167,052
Pension - STRS. . . . .	1,708,940
Pension - SERS. . . . .	162,767
Total deferred inflows of resources. . . . .	6,038,759
<b>Net position:</b>	
Net investment in capital assets . . . . .	46,449,788
Restricted for:	
Capital projects . . . . .	1,412,156
Classroom facilities maintenance . . . . .	306,473
Debt service . . . . .	2,305,055
Locally funded programs . . . . .	4,565
State funded programs. . . . .	36,660
Federally funded programs . . . . .	41,563
Other purposes . . . . .	121,518
Unrestricted (deficit) . . . . .	(28,115,976)
Total net position. . . . .	\$ 22,561,802

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 9,993,187	\$ 1,281,587	\$ 376,990	\$ -	\$ (8,334,610)
Special . . . . .	4,373,495	11,077	2,459,838	-	(1,902,580)
Vocational . . . . .	197,445	863	18,277	-	(178,305)
Other . . . . .	59,150	-	38,049	-	(21,101)
Support services:					
Pupil. . . . .	1,288,131	-	7,133	-	(1,280,998)
Instructional staff . . . . .	995,530	2,102	320,301	-	(673,127)
Board of education . . . . .	68,436	-	-	-	(68,436)
Administration. . . . .	1,754,606	17	54,883	-	(1,699,706)
Fiscal. . . . .	513,621	-	3,515	-	(510,106)
Operations and maintenance . . . . .	2,371,949	429	5,664	3,530	(2,362,326)
Pupil transportation. . . . .	1,360,276	145,442	19,144	-	(1,195,690)
Central . . . . .	190,855	-	4,232	-	(186,623)
Operation of non-instructional services:					
Other non-instructional services . . . . .	240	-	-	-	(240)
Food service operations . . . . .	848,160	142,988	711,801	-	6,629
Extracurricular activities. . . . .	515,927	176,603	9,159	-	(330,165)
Interest and fiscal charges . . . . .	801,214	-	-	-	(801,214)
<b>Total governmental activities . . . . .</b>	<b>\$ 25,332,222</b>	<b>\$ 1,761,108</b>	<b>\$ 4,028,986</b>	<b>\$ 3,530</b>	<b>(19,538,598)</b>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					6,584,084
Special revenue. . . . .					97,829
Debt service. . . . .					2,296,539
Capital projects . . . . .					291,875
Grants and entitlements not restricted to specific programs . . . . .					11,580,444
Grants and entitlements restricted for Ohio School Facilities Commission . . . . .					84,664
Investment earnings . . . . .					14,922
Miscellaneous . . . . .					383,315
<b>Total general revenues . . . . .</b>					<b>21,333,672</b>
Special item - repayment of OSFC funding . . . . .					(999,205)
<b>Total general revenues and special items . . . . .</b>					<b>20,334,467</b>
Change in net position . . . . .					795,869
<b>Net position at beginning of year. . . . .</b>					<b>21,765,933</b>
<b>Net position at end of year. . . . .</b>					<b>\$ 22,561,802</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 245,818	\$ 2,010,810	\$ 1,898,034	\$ 4,154,662
Receivables:				
Property taxes. . . . .	5,527,385	1,935,302	316,352	7,779,039
Accounts . . . . .	8,344	-	53	8,397
Interfund loans . . . . .	56,309	-	-	56,309
Intergovernmental. . . . .	10,195	-	200,448	210,643
Prepayments. . . . .	39,507	-	21,161	60,668
Materials and supplies inventory. . . . .	48,757	-	3,875	52,632
Inventory held for resale. . . . .	-	-	26,034	26,034
Total assets . . . . .	<u>\$ 5,936,315</u>	<u>\$ 3,946,112</u>	<u>\$ 2,465,957</u>	<u>\$ 12,348,384</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 66,520	\$ -	\$ 40,451	\$ 106,971
Contracts payable. . . . .	30,369	-	2,090	32,459
Accrued wages and benefits payable . . . . .	1,213,635	-	176,527	1,390,162
Compensated absences payable . . . . .	25,929	-	-	25,929
Intergovernmental payable . . . . .	29,077	-	2,418	31,495
Pension and postemployment benefits payable . . . . .	250,266	-	38,216	288,482
Interfund loans payable. . . . .	-	-	56,309	56,309
Total liabilities. . . . .	<u>1,615,796</u>	<u>-</u>	<u>316,011</u>	<u>1,931,807</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	2,960,893	1,036,697	169,462	4,167,052
Delinquent property tax revenue not available . . . . .	380,912	133,369	21,801	536,082
Intergovernmental revenue not available. . . . .	-	-	82,711	82,711
Total deferred inflows of resources . . . . .	<u>3,341,805</u>	<u>1,170,066</u>	<u>273,974</u>	<u>4,785,845</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	48,757	-	3,875	52,632
Prepays. . . . .	39,507	-	21,161	60,668
Restricted:				
Debt service . . . . .	-	2,776,046	-	2,776,046
Capital improvements . . . . .	-	-	1,396,005	1,396,005
Classroom facilities maintenance . . . . .	-	-	300,823	300,823
Food service operations . . . . .	-	-	159,684	159,684
Non-public schools . . . . .	-	-	32,914	32,914
Special education . . . . .	-	-	557	557
Other purposes. . . . .	-	-	5,561	5,561
Committed:				
Capital improvements . . . . .	-	-	40,859	40,859
Extracurricular. . . . .	630	-	-	630
Student and staff support . . . . .	612	-	-	612
Student instruction . . . . .	2,846	-	-	2,846
Assigned:				
Student instruction . . . . .	681	-	-	681
Student and staff support. . . . .	5,918	-	-	5,918
Unassigned (deficit) . . . . .	879,763	-	(85,467)	794,296
Total fund balances . . . . .	<u>978,714</u>	<u>2,776,046</u>	<u>1,875,972</u>	<u>5,630,732</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,936,315</u>	<u>\$ 3,946,112</u>	<u>\$ 2,465,957</u>	<u>\$ 12,348,384</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	5,630,732
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			65,454,748
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	536,082	
Intergovernmental receivable		82,711	
Total		618,793	618,793
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		3,139,681	
Deferred Inflows - Pension		(1,871,707)	
Net pension liability		(29,546,768)	
Total		(28,278,794)	(28,278,794)
Unamortized premiums on bonds issued are not recognized in the funds.			(2,484,606)
Unamortized amounts on refundings are not recognized in the funds.			1,977,281
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(16,517)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(18,935,460)	
Capital lease obligations		(150,018)	
Compensated absences		(1,254,357)	
Total		(20,339,835)	(20,339,835)
<b>Net position of governmental activities</b>		\$	22,561,802

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 6,607,491	\$ 2,304,609	\$ 391,022	\$ 9,303,122
Tuition . . . . .	1,265,525	-	-	1,265,525
Transportation fees . . . . .	145,442	-	-	145,442
Earnings on investments . . . . .	13,890	-	2,303	16,193
Charges for services . . . . .	-	-	143,192	143,192
Extracurricular . . . . .	2,421	-	176,603	179,024
Classroom materials and fees . . . . .	27,700	-	-	27,700
Rental income . . . . .	225	-	-	225
Contributions and donations . . . . .	20,880	-	10,153	31,033
Other local revenues . . . . .	373,781	-	5,975	379,756
Intergovernmental - state . . . . .	12,561,450	236,914	448,628	13,246,992
Intergovernmental - federal . . . . .	189,410	-	2,332,802	2,522,212
<b>Total revenues . . . . .</b>	<b>21,208,215</b>	<b>2,541,523</b>	<b>3,510,678</b>	<b>27,260,416</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,872,553	-	373,742	9,246,295
Special . . . . .	2,822,200	-	1,139,820	3,962,020
Vocational . . . . .	199,801	-	-	199,801
Other . . . . .	21,101	-	38,049	59,150
Support services:				
Pupil . . . . .	1,183,050	-	7,101	1,190,151
Instructional staff . . . . .	607,374	-	309,770	917,144
Board of education . . . . .	65,219	-	-	65,219
Administration . . . . .	1,544,451	-	53,916	1,598,367
Fiscal . . . . .	425,256	53,432	12,110	490,798
Operations and maintenance . . . . .	2,123,748	-	272,871	2,396,619
Pupil transportation . . . . .	1,271,648	-	5,541	1,277,189
Central . . . . .	187,332	-	3,641	190,973
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	240	-	-	240
Food service operations . . . . .	-	-	792,262	792,262
Extracurricular activities . . . . .	299,663	-	179,283	478,946
Facilities acquisition and construction . . . . .	2,583	-	108,494	111,077
Debt service:				
Principal retirement . . . . .	36,729	1,075,000	567	1,112,296
Interest and fiscal charges . . . . .	8,390	530,997	129	539,516
Bond issuance costs . . . . .	-	29,161	-	29,161
<b>Total expenditures . . . . .</b>	<b>19,671,338</b>	<b>1,688,590</b>	<b>3,297,296</b>	<b>24,657,224</b>
Excess of revenues over expenditures . . . . .	1,536,877	852,933	213,382	2,603,192
<b>Other financing sources (uses):</b>				
Premium on bonds sold . . . . .	-	85,029	-	85,029
Sale of bonds . . . . .	-	2,360,000	-	2,360,000
Transfers in . . . . .	-	-	706,576	706,576
Transfers (out) . . . . .	-	-	(706,576)	(706,576)
Payment to refunded bond escrow agent . . . . .	-	(2,415,868)	-	(2,415,868)
<b>Total other financing sources (uses) . . . . .</b>	<b>-</b>	<b>29,161</b>	<b>-</b>	<b>29,161</b>
<b>Special item:</b>				
Repayment of OSFC funding . . . . .	-	-	(999,205)	(999,205)
<b>Net change in fund balances . . . . .</b>	<b>1,536,877</b>	<b>882,094</b>	<b>(785,823)</b>	<b>1,633,148</b>
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<b>(559,764)</b>	<b>1,893,952</b>	<b>2,681,057</b>	<b>4,015,245</b>
<b>Increase (decrease) in reserve for inventory . . . . .</b>	<b>1,601</b>	<b>-</b>	<b>(19,262)</b>	<b>(17,661)</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 978,714</b>	<b>\$ 2,776,046</b>	<b>\$ 1,875,972</b>	<b>\$ 5,630,732</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	1,633,148
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 150,564	
Current year depreciation	<u>(1,914,850)</u>	
Total		(1,764,286)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(17,661)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(32,795)	
Intergovernmental	<u>(100,325)</u>	
Total		(133,120)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	1,075,000	
Capital leases	<u>37,296</u>	
Total		1,112,296
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(2,360,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position.		
		2,415,868
Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.		
		(85,029)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,613,430
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,472,307)
		-- Continued

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	23,372	
Accreted interest on capital appreciation bonds	(285,161)	
Amortization of bond premiums	142,942	
Amortization of deferred charges	(113,690)	
Total	(232,537)	(232,537)

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

86,067

**Change in net position of governmental activities**

\$ 795,869

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,616,264	\$ 4,713,497	\$ 4,713,623	\$ 126
Tuition. . . . .	1,239,386	1,265,491	1,265,525	34
Transportation fees. . . . .	136,151	139,018	139,022	4
Earnings on investments . . . . .	13,603	13,890	13,890	-
Rental income . . . . .	220	225	225	-
Contributions and donations . . . . .	17,824	18,200	18,200	-
Other local revenues . . . . .	173,439	177,092	177,097	5
Intergovernmental - state . . . . .	12,310,949	12,570,259	12,570,593	334
Intergovernmental - federal . . . . .	185,498	189,405	189,410	5
Total revenues . . . . .	<u>18,693,334</u>	<u>19,087,077</u>	<u>19,087,585</u>	<u>508</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,726,375	8,945,374	8,945,605	(231)
Special. . . . .	2,696,314	2,763,980	2,764,052	(72)
Vocational. . . . .	194,632	199,517	199,522	(5)
Other. . . . .	24,705	25,325	25,326	(1)
Support services:				
Pupil. . . . .	1,146,463	1,175,234	1,175,265	(31)
Instructional staff . . . . .	585,714	600,413	600,429	(16)
Board of education . . . . .	63,621	65,217	65,219	(2)
Administration. . . . .	1,510,481	1,548,388	1,548,428	(40)
Fiscal . . . . .	417,189	427,659	427,670	(11)
Operations and maintenance. . . . .	2,098,561	2,151,226	2,151,282	(56)
Pupil transportation . . . . .	1,266,013	1,297,784	1,297,818	(34)
Central. . . . .	183,473	188,077	188,082	(5)
Extracurricular activities. . . . .	293,229	300,588	300,596	(8)
Facilities acquisition and construction . . . . .	2,520	2,583	2,583	-
Total expenditures . . . . .	<u>19,209,290</u>	<u>19,691,365</u>	<u>19,691,877</u>	<u>(512)</u>
Excess of expenditures over revenues. . . . .	<u>(515,956)</u>	<u>(604,288)</u>	<u>(604,292)</u>	<u>(4)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	293,004	299,176	299,184	8
Transfers (out). . . . .	(92,485)	(94,806)	(94,808)	(2)
Advances in. . . . .	-	-	94,039	94,039
Advances (out) . . . . .	-	-	(56,309)	(56,309)
Sale of capital assets . . . . .	13,662	13,950	13,950	-
Total other financing sources (uses) . . . . .	<u>214,181</u>	<u>218,320</u>	<u>256,056</u>	<u>37,736</u>
Net change in fund balance . . . . .	(301,775)	(385,968)	(348,236)	37,732
<b>Fund balance at beginning of year . . . . .</b>	<b>154,414</b>	<b>154,414</b>	<b>154,414</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>301,775</b>	<b>301,775</b>	<b>301,775</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 154,414</b>	<b>\$ 70,221</b>	<b>\$ 107,953</b>	<b>\$ 37,732</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 16,485	\$ 36,801
Total assets . . . . .	16,485	\$ 36,801
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 36,801
Total liabilities . . . . .	-	\$ 36,801
<b>Net position:</b>		
Held in trust for scholarships . . . . .	16,485	
Total net position. . . . .	\$ 16,485	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 69
Total additions. . . . .	69
 <b>Deductions:</b>	
Scholarships awarded . . . . .	4,750
Change in net position . . . . .	(4,681)
<b>Net position at beginning of year. . . . .</b>	<b>21,166</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 16,485</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 217<sup>th</sup> largest by enrollment among the 1,001 public school districts and community schools in the State. It currently operates 3 elementary schools, 1 middle school and 1 high school. The District employs 154 certified and 96 classified full-time and part-time employees to provide services to approximately 2,175 students in grades K through 12 and various community groups.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Gallia-Jackson-Vinton Joint Vocational School District

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

Gallia-Vinton Educational Service Center

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 10 for further information on this group rating plan.

Schools of Ohio Risk Sharing Authority

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*GOVERNMENTAL FUNDS*

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

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

Debt service fund - The debt service fund is used to account for resources that are restricted for payment debt service principal and interest.

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

*FIDUCIARY FUNDS*

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**E. Budgets**

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

1. On July 25, 2002, the Gallia County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenue and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2016.
3. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
4. All funds, other than agency funds, are legally required to be budgeted and appropriated.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2016. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. During fiscal year 2016, the District had no investments. All monies of the pool were maintained in depository accounts with financial institutions.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$13,890, which includes \$12,317 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**G. Inventory**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government wide financial statements and the purchase method on the fund financial statements. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis and is expensed when purchased.

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintained a capitalization threshold of \$1,500 during fiscal year 2016. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Interfund Balances**

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

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to agency are classified as "loans receivable/payable."

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

**M. Net Position**

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

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

**N. Prepayments**

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

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

**O. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**P. Interfund Activity**

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

**Q. Pensions**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2016, the District reported a special item of \$999,205, as a repayment of construction funds that were due back to the Ohio School Facilities Commission (OSFC) as a result of the closeout of the District's project.

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

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources. On the governmental fund financial statements bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
District managed student activity	\$ 30,366
Public school preschool	4,427
IDEA Part-B	7,504
Title I - disadvantaged children	21,049
Improving teacher quality	4,271

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

**A. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$4,207,948. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$250,000 of the District's bank balance of \$4,270,670 was covered by the Federal Deposit Insurance Corporation, while \$4,020,670 was exposed to custodial risk as discussed below.

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

**B. Investments**

The District had no investments at June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	<u>\$ 4,207,948</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,154,662
Private-purpose trust fund	16,485
Agency fund	<u>36,801</u>
 Total	 <u>\$ 4,207,948</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 56,309</u>

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

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

- B.** Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 706,576</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs account for in other funds in accordance with budgetary authorizations. The transfers of \$706,576 were made between the building fund (a nonmajor governmental fund), the classroom facilities fund (a nonmajor governmental fund) and the capital projects fund (a nonmajor governmental fund) as part of the close-out process of the District's OFCC construction project.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Gallia County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$2,185,580 in the general fund, \$765,236 in the debt service fund, \$92,672 in the permanent improvement fund (a nonmajor governmental fund) and \$32,417 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$291,712 in the general fund, \$102,046 in the debt service fund, \$12,325 in the permanent improvement fund (a nonmajor governmental fund) and \$4,355 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 243,463,260	94.71	\$ 245,746,780	95.01
Public utility personal	<u>13,586,150</u>	<u>5.29</u>	<u>12,895,670</u>	<u>4.99</u>
Total	<u>\$ 257,049,410</u>	<u>100.00</u>	<u>\$ 258,642,450</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$31.00		\$31.00	
Bond retirement	7.20		7.20	
Permament improvements	1.50		1.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 7,779,039
Accounts	8,397
Intergovernmental	<u>210,643</u>
Total	<u>\$ 7,998,079</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance			Balance
<b><u>Governmental activities:</u></b>	<u>06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,205,750	\$ -	\$ -	\$ 1,205,750
<i>Total capital assets, not being depreciated</i>	<u>1,205,750</u>	<u>-</u>	<u>-</u>	<u>1,205,750</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,496,393	-	-	2,496,393
Buildings and improvements	70,962,419	39,668	-	71,002,087
Equipment and furniture	3,889,939	110,896	-	4,000,835
Vehicles	2,438,451	-	(411,243)	2,027,208
<i>Total capital assets, being depreciated</i>	<u>79,787,202</u>	<u>150,564</u>	<u>(411,243)</u>	<u>79,526,523</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,117,653)	(103,685)	-	(1,221,338)
Buildings and improvements	(9,140,861)	(1,429,543)	-	(10,570,404)
Equipment and furniture	(1,498,827)	(276,208)	-	(1,775,035)
Vehicles	(2,016,577)	(105,414)	411,243	(1,710,748)
<i>Total accumulated depreciation</i>	<u>(13,773,918)</u>	<u>(1,914,850)</u>	<u>411,243</u>	<u>(15,277,525)</u>
Total capital assets, net	<u>\$ 67,219,034</u>	<u>\$ (1,764,286)</u>	<u>\$ -</u>	<u>\$ 65,454,748</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 883,088
Special	431,388
Vocational	19,098
<u>Support services:</u>	
Pupil	102,363
Instructional staff	90,169
Board of Education	3,217
Administration	168,065
Fiscal	25,530
Pupil transportation	105,414
<u>Operation of non-instructional services:</u>	
Food service operations	47,160
Extracurricular activities	39,358
Total depreciation expense	<u>\$ 1,914,850</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

In prior years, the District entered into capitalized lease for copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$201,623, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2016 was \$60,487, leaving a current book value of \$141,136. A corresponding liability was recorded in the statement of net position. During fiscal year 2016, the District made principal payments of \$37,296, paid by the general fund and the food service fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreement and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 45,815
2018	45,815
2019	45,815
2020	<u>26,725</u>
Total	164,170
Less: amount representing interest	<u>(14,152)</u>
Present value of minimum lease payments	<u>\$ 150,018</u>

THIS SPACE IS INTENTIONALLY LEFT BLANK

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

<u>Governmental activities:</u>	<u>Balance</u> <u>6/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/16</u>	<u>Amounts Due</u> <u>In One Year</u>
General obligation bonds, series 2006	\$ 3,045,000	\$ -	\$ (3,045,000)	\$ -	\$ -
Refunding bonds, series 2016					
Current interest bonds	-	2,360,000	-	2,360,000	750,000
Refunding bonds, series 2013					
Current interest bonds	15,970,000	-	(225,000)	15,745,000	220,000
Capital appreciation bonds	289,977	-	(47,360)	242,617	30,921
Accreted interest	420,322	285,161	(117,640)	587,843	102,422
Capital lease	187,314	-	(37,296)	150,018	39,204
Net pension liability	25,665,835	3,880,933	-	29,546,768	-
Compensated absences	<u>1,403,060</u>	<u>89,789</u>	<u>(212,563)</u>	<u>1,280,286</u>	<u>115,718</u>
Total	<u>\$ 46,981,508</u>	<u>\$ 6,615,883</u>	<u>\$ (3,684,859)</u>	49,912,532	<u>\$ 1,258,265</u>
Unamortized premium				<u>2,484,606</u>	
Total on statement of net position				<u>\$ 52,397,138</u>	

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

Net pension liability - See Note 12 for details.

**B. General Obligation Bonds, Series 2006**

During fiscal year 2006, the District issued general obligation bonds to provide long-term financing of the construction and renovation of various school buildings in accordance with the terms of a Facilities grant from the Ohio School Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of four new kindergarten through eight grade buildings and a new high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 7.2 mil bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the OSFC.

This issue is comprised of current interest bonds, par value \$25,000,000. The interest rates on the current interest bonds range from 4.00% to 5.00%. During fiscal year 2013, \$17,090,000 of the series 2006 general obligation bonds were refunded.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Interest payments on the current interest bonds are due on December 1 of each year. The final maturity stated in the issue is December 1, 2020.

During the current fiscal year, \$2,360,000, the remaining portion of the general obligation bonds, series 2006 was refunded. The District made \$685,000 in principal payments before the refunding was issued.

**C. Refunding Bonds, Series 2013**

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

This issue is comprised of current interest bonds, par value \$15,745,000 at June 30, 2016, and capital appreciation bonds, par value \$289,977. The capital appreciation bonds mature December 1, 2015, 2016, 2017, 2018, 2019, 2020 and 2028 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$3,760,000. Total accreted interest of \$587,843 has been included on the statement of net position at June 30, 2016.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

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

**D. Refunding Bonds, Series 2016**

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

This issue is comprised of current interest bonds, par value \$2,360,000. The interest rate on the current interest bond is 3.86%.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2019.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

Fiscal Year Year Ended	Series 2013 Current Interest Bonds			Series 2013 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 220,000	\$ 390,332	\$ 610,332	\$ 30,921	\$ 134,079	\$ 165,000
2018	225,000	386,993	611,993	20,189	144,811	165,000
2019	225,000	383,056	608,056	13,182	151,818	165,000
2020	-	380,806	380,806	134,660	975,340	1,110,000
2021	200,000	378,806	578,806	34,731	985,269	1,020,000
2022 - 2026	6,395,000	1,566,278	7,961,278	-	-	-
2027 - 2031	6,125,000	854,450	6,979,450	8,934	961,066	970,000
2032 - 2033	2,355,000	65,081	2,420,081	-	-	-
<b>Total</b>	<b>\$ 15,745,000</b>	<b>\$ 4,405,802</b>	<b>\$ 20,150,802</b>	<b>\$ 242,617</b>	<b>\$ 3,352,383</b>	<b>\$ 3,595,000</b>

Fiscal Year Year Ended	Series 2016 Current Interest Bonds		
	Principal	Interest	Total
2017	\$ 750,000	\$ 76,621	\$ 826,621
2018	740,000	47,864	787,864
2019	770,000	18,721	788,721
2020	100,000	1,930	101,930
<b>Total</b>	<b>\$ 2,360,000</b>	<b>\$ 145,136</b>	<b>\$ 2,505,136</b>

**D. Legal Debt Margins**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

In accordance with the above calculations, as of June 30, 2016, the District has a legal voted debt margin of \$7,706,250, the legal unvoted debt margin was \$258,642, and the legal energy conservation debt margin was \$2,327,782.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2016, the District purchased general liability insurance through the Schools of Ohio Risk Sharing Authority (SORSA), which carried a \$15 million per occurrence and \$15 million annual aggregate limitation.

Fleet and property/casualty insurance are also purchased through SORSA and traditionally funded, as are all benefit plans offered to employees. Total property limit of \$83,036,977 and total liability limit of \$15,000,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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

*OSBA WORKERS' COMPENSATION GROUP RATING PROGRAM*

For fiscal year 2016, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$386,246 for fiscal year 2016. Of this amount, \$35,674 is reported as pension and postemployment benefits payable.

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

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,227,184 for fiscal year 2016. Of this amount, \$208,188 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 5,229,450	\$ 24,317,318	\$ 29,546,768
Proportion of the net pension liability	0.09164670%	0.08798803%	
Pension expense	\$ 354,763	\$ 1,117,544	\$ 1,472,307



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 83,753	\$ 1,106,484	\$ 1,190,237
Changes in proportionate share	65,384	270,630	336,014
District contributions subsequent to the measurement date	<u>386,246</u>	<u>1,227,184</u>	<u>1,613,430</u>
Total deferred outflows of resources	<u>\$ 535,383</u>	<u>\$ 2,604,298</u>	<u>\$ 3,139,681</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 162,767</u>	<u>\$ 1,708,940</u>	<u>\$ 1,871,707</u>
Total deferred inflows of resources	<u>\$ 162,767</u>	<u>\$ 1,708,940</u>	<u>\$ 1,871,707</u>

\$1,613,430 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (38,816)	\$ (314,387)	\$ (353,203)
2018	(38,816)	(314,387)	(353,203)
2019	(38,818)	(314,388)	(353,206)
2020	<u>102,820</u>	<u>611,336</u>	<u>714,156</u>
Total	<u>\$ (13,630)</u>	<u>\$ (331,826)</u>	<u>\$ (345,456)</u>

**Actuarial Assumptions - SERS**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 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

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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></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 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%)
District's proportionate share of the net pension liability	\$ 7,251,367	\$ 5,229,450	\$ 3,526,828

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 33,778,589	\$ 24,317,318	\$ 16,316,402

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the District's surcharge obligation was \$44,620.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$44,620, \$66,496, and \$45,945, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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 years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$91,769, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (348,236)
Net adjustment for revenue accruals	2,079,163
Net adjustment for expenditure accruals	91,063
Net adjustment for other sources/uses	(343,714)
Funds budgeted elsewhere	(35,519)
Adjustment for encumbrances	94,120
GAAP basis	<u>\$ 1,536,877</u>

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

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigations**

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

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. There were three adjustments to Foundation revenue. The first adjustment was \$169, which is recorded as an intergovernmental payable on the statement of net position. The second adjustment was \$10,195, which is recorded as an intergovernmental receivable on the statement of net position. The third adjustment was \$2,891, which is recorded as an intergovernmental payable on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 16 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	368,795
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(362,606)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(6,189)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u><u>\$ -</u></u>

During a prior fiscal year, the District issued \$25,000,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$23,179,449 at June 30, 2016.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 20,799
Other governmental	<u>160,459</u>
Total	<u>\$ 181,258</u>

**NOTE 18 - FISCAL ANALYSIS**

On August 7, 2015, the District was declared in Fiscal Caution by the Ohio Department of Education (ODE). At February 29, 2016, the cash position report indicated that the General fund deficit was at \$989,784. The District is developing a financial plan to submit to ODE to correct the conditions that led to Fiscal Caution.

**NOTE 19 - SUBSEQUENT EVENT**

On July 29, 2016, the District issued \$2,081,953 in Series 2016 General Obligation Energy Conservation Bonds. The bonds carry interest rate of 3.00% and have a final maturity date of December 1, 2030.

**THIS PAGE IS INTENTIONALLY LEFT BLANK**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.09164670%	0.08994200%	0.08994200%
District's proportionate share of the net pension liability	\$ 5,229,450	\$ 4,551,913	\$ 5,348,562
District's covered-employee payroll	\$ 2,759,044	\$ 2,613,535	\$ 2,496,062
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	214.28%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.08798803%	0.08680476%	0.08680476%
District's proportionate share of the net pension liability	\$ 24,317,318	\$ 21,113,922	\$ 25,150,765
District's covered-employee payroll	\$ 9,180,079	\$ 8,869,054	\$ 9,507,708
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	264.53%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 386,246	\$ 363,642	\$ 362,236	\$ 345,455
Contributions in relation to the contractually required contribution	<u>(386,246)</u>	<u>(363,642)</u>	<u>(362,236)</u>	<u>(345,455)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,758,900	\$ 2,759,044	\$ 2,613,535	\$ 2,496,062
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 343,317	\$ 318,999	\$ 334,294	\$ 226,176	\$ 223,362	\$ 214,779
<u>(343,317)</u>	<u>(318,999)</u>	<u>(334,294)</u>	<u>(226,176)</u>	<u>(223,362)</u>	<u>(214,779)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,552,543	\$ 2,537,780	\$ 2,468,936	\$ 2,298,537	\$ 2,274,562	\$ 2,011,039
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,227,184	\$ 1,285,211	\$ 1,152,977	\$ 1,236,002
Contributions in relation to the contractually required contribution	<u>(1,227,184)</u>	<u>(1,285,211)</u>	<u>(1,152,977)</u>	<u>(1,236,002)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,765,600	\$ 9,180,079	\$ 8,869,054	\$ 9,507,708
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,249,428	\$ 1,300,548	\$ 1,363,969	\$ 1,321,998	\$ 1,338,328	\$ 1,279,735
<u>(1,249,428)</u>	<u>(1,300,548)</u>	<u>(1,363,969)</u>	<u>(1,321,998)</u>	<u>(1,338,328)</u>	<u>(1,279,735)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,610,985	\$ 10,004,215	\$ 10,492,069	\$ 10,169,215	\$ 10,294,831	\$ 9,844,115
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

## **SUPPLEMENTARY INFORMATION**

**GALLIPOLIS CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Grant Cluster:</b>			
(D) (E) School Breakfast Program	10.553	2016	\$ 171,502
(D) (E) National School Lunch Program	10.555	2016	472,290
(C) (D) National School Lunch Program - Food Donation	10.555	2016	52,903
<b>Total National School Lunch Program</b>			<b>525,193</b>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			<b>696,695</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Title I Grant:</b>			
Title I Grants to Local Educational Agencies	84.010	2015	154,388
Title I Grants to Local Educational Agencies	84.010	2016	773,526
<b>Total Title I Grants to Local Educational Agencies</b>			<b>927,914</b>
<b>Special Education Grant Cluster:</b>			
(F) Special Education_Grants to States	84.027	2015	53,111
(F) Special Education_Grants to States	84.027	2016	538,238
<b>Total Special Education_Grants to States</b>			<b>591,349</b>
(F) Special Education-Preschool Grants	84.173	2015	731
(F) Special Education_Preschool Grants	84.173	2016	11,859
<b>Total Special Education_Preschool Grants</b>			<b>12,590</b>
<b>Total Special Education Grant Cluster</b>			<b>603,939</b>
Rural Education	84.358	2016	38,049
Improving Teacher Quality State Grants	84.367	2015	7,741
Improving Teacher Quality State Grants	84.367	2016	131,277
<b>Total Improving Teach Quality State Grants</b>			<b>139,018</b>
ARRA - Race to the Top	84.395	2015	11,633
<b>Total U.S. Department of Education</b>			<b>1,720,553</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 2,417,248</b>

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Gallipolis City School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Gallipolis City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Gallipolis City School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Gallipolis City School District has not elected to use the 10% de minimis indirect cost rate.



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

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

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required By *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District, Gallia County, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Gallipolis City School District's basic financial statements and have issued our report thereon dated December 21, 2016. As disclosed in Note 18, on August 7, 2015, the District was declared in Fiscal Caution by the Ohio Department of Education (ODE).

***Internal Control Over Financial Reporting***

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

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

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

Board of Education  
Gallipolis City School District

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Gallipolis City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Gallipolis City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
December 21, 2016



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

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

**Independent Auditor's Report on Compliance With Requirements Applicable to Each of the  
Major Federal Programs and on Internal Control Over Compliance  
Required by the Uniform Guidance**

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

To the Board of Education:

***Report on Compliance for Each of the Major Federal Programs***

We have audited the Gallipolis City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Gallipolis City School District's major federal programs for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Gallipolis City School District's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

Board of Education  
Gallipolis City School District

***Opinion on Each of the Major Federal Programs***

In our opinion, the Gallipolis City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the fiscal year ended June 30, 2016.

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

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

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

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

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



Julian & Grube, Inc.  
December 21, 2016



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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

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

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

None

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

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**GALLIPOLIS CITY SCHOOL DISTRICT**

**GALLIA COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 21, 2017**