GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY
JUNE 30, 2018

TABLE OF CONTENTS

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY
JUNE 30, 2018

TABLE OF CONTENTS
(Continued)

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24 to the financial statements, during the year ended June 30, 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

April 26, 2019

This page intentionally left blank.

The discussion and analysis of the Gallia County Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2018 are as follows:

- Net position of governmental activities increased $12,642,357.

- General revenues accounted for $28,015,030 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $7,778,024 or 22% of total revenues of $35,793,054.

- The School District had $23,150,697 in expenses related to governmental activities; only $7,778,024 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $28,015,030 were adequate to provide for these programs.

- The School District has two major funds: the General Fund and the Bond Retirement Fund. All governmental funds had total revenue and other financing sources in the amount of $35,997,900 and expenditures in the amount of $35,128,712.

USING THIS ANNUAL FINANCIAL REPORT

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

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Fiduciary Funds. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities	
	2018	2017*
Assets:		
Current and Other Assets	$ 32,672,704	$ 31,389,002
Capital Assets, Net	50,445,350	52,186,897
Total Assets	83,118,054	83,575,899
Deferred Outflows of Resources:		
Pensions and OPEB	12,421,176	10,072,554
Unamoritized Deferred Amount on Refunding	1,945,148	2,070,642
Total Deferred Outflows of Resources	14,366,324	12,143,196
Liabilities:		
Current and Other Liabilities	3,093,296	2,855,744
Long-Term Liabilities:		
Due Within One Year	1,740,594	1,654,935
Due in More than One Year:		
Net Pension Liabilities	31,194,240	41,359,873
Net OPEB Liabilities	7,113,855	8,584,947
Other Amounts	38,346,476	40,094,741
Total Liabilities	81,488,461	94,550,240
Deferred Inflows of Resources:		
Pensions and OPEB	1,888,390	101,751
Property Taxes not Levied to Finance Current Year Operations	14,943,075	14,545,009
Total Deferred Inflows of Resources	16,831,465	14,646,760
Net Position:		
Net Investment in Capital Assets	14,140,822	14,431,249
Restricted	12,425,365	11,756,737
Unrestricted	(27,401,735)	(39,665,891)
Total Net Position	$ (835,548)	$ (13,477,905)

* As restated, see Note 24 for additional information.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($4,953,928) to ($13,477,905).

Total net position of the School District increased in the amount of $12,642,357. The increase to current and other assets is primarily due to increases in cash and cash equivalents and taxes receivable, which were partially offset by decreases in accounts receivable and prepaid items. The increases to cash equivalents are due to revenues exceeding expenditures. Capital assets, net decreased due to current year depreciation expense and deletions, which were partially offset by current year additions. Deferred outflows of resources increased primarily due to pension and OPEB activity.

Long-term liabilities decreased primarily due to net pension and OPEB liabilities. Deferred inflows of resources increased primarily due to pension and OPEB activity.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, as compared with 2017.

Table 2
Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2017*
Revenues		
Program Revenues		
Charges for Services	$ 2,946,978	$ 2,522,827
Operating Grants and Contributions	4,831,046	4,504,725
Total Program Revenues	7,778,024	7,027,552
General Revenues		
Property Taxes	15,012,543	14,628,267
Grants and Entitlements, Not Restricted	12,625,106	12,485,844
Investment Earnings	43,797	47,502
Miscellaneous	333,584	272,231
Total General Revenues	28,015,030	27,433,844
Total Revenues	35,793,054	34,461,396
Program Expenses		
Instruction:		
Regular	9,187,354	16,853,725
Special	1,807,229	4,178,505
Vocational	249,034	590,767
Other	41,686	24,496
Support Services:		
Pupil	368,017	903,859
Instructional Staff	630,954	812,169
Board of Education	310,681	135,355
Administration	1,245,371	2,675,116
Fiscal	841,749	932,186
Business	37,997	43,590
Operation and Maintenance of Plant	2,294,959	2,549,250
Pupil Transportation	2,259,833	2,873,725
Central	449,319	647,111
Operation of Non-Instructional Services	1,127,418	1,293,007
Extracurricular Activities	865,991	1,558,756
Interest and Fiscal Charges	1,433,105	1,483,640
Total Expenses	23,150,697	37,555,257
Increase (Decrease) in Net Position	12,642,357	(3,093,861)
Net Position (Deficit) Beginning of Year	(13,477,905)	N/A
Net Position (Deficit) End of Year	$ (835,548)	$ (13,477,905)

* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 24 for additional information.

Charges for services increased due to increased open enrollment. Operating Grants and Contributions increased due to additional funding received for various federal programs. Grants and entitlements not restricted increased due to increased State foundation funding. Miscellaneous revenues increased due to additional reimbursements received during the current fiscal year. Overall expenses decreased primarily due to pension and OPEB activity.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions. Table 3 shows the total cost of services and the net cost of services for 2018 as compared with 2017. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017*	Net Cost of Services 2017*
Program Expenses				
Instruction:				
Regular	$9,187,354	$7,742,824	$16,853,725	$15,474,298
Special	1,807,229	(730,738)	4,178,505	1,761,199
Vocational	249,034	143,713	590,767	493,916
Other	41,686	34,063	24,496	22,526
Support Services:				
Pupil	368,017	300,469	903,859	782,026
Instructional Staff	630,954	178,832	812,169	431,687
Board of Education	310,681	255,528	135,355	124,996
Administration	1,245,371	893,983	2,675,116	2,356,853
Fiscal	841,749	679,403	932,186	868,775
Business	37,997	31,048	43,590	40,084
Operation and Maintenance of Plant	2,294,959	1,865,030	2,549,250	2,317,930
Pupil Transportation	2,259,833	1,793,286	2,873,725	2,579,724
Central	449,319	280,293	647,111	487,730
Operation of Non-Instructional Services	1,127,418	(33,774)	1,293,007	103,501
Extracurricular Activities	865,991	505,611	1,558,756	1,198,833
Interest and Fiscal Charges	1,433,105	1,433,102	1,483,640	1,483,627
Total	$23,150,697	$15,372,673	$37,555,257	$30,527,705

* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 24 for additional information.

THE SCHOOL DISTRICT'S FUNDS

The School District’s governmental funds are accounted for using the modified accrual basis of accounting. The most significant increase in fund balance was in the Bond Retirement Fund in the amount of $1,176,635 primarily due to a decrease in debt service expenditures. The Bond Retirement Fund had $4,302,217 in revenues and $3,125,582 in expenditures.

The General Fund had a decrease of $6,226. The General Fund had $26,992,128 in revenues and other financing sources and $26,998,354 in expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2018, the School District amended its General Fund appropriation budget.

For the General Fund, final budgeted appropriations were $28,227,500, above original estimates of $28,184,138. This increase was due primarily to increases in regular instruction and pupils. The difference between final budgeted appropriations and actual expenditures was due to conservative budgeting by the School District. For the General Fund, original and final estimated revenues were below actual amounts in the amount of $639,346 due primarily to tuition and fees.

The School District's ending unobligated General Fund balance was $3,399,188.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had $50,445,350 invested in land and land improvements, buildings and improvements, furniture and equipment, infrastructure, vehicles, and library and textbooks. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land and Land Improvements	$1,469,440	$2,001,215
Buildings and Improvements	47,050,071	48,272,129
Furniture and Equipment	707,778	774,867
Infrastructure	40,989	43,702
Vehicles	1,177,072	1,094,984
Totals	$50,445,350	$52,186,897

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

Debt

At June 30, 2018, the School District had general obligation and QZAB bonds outstanding of $35,400,000, excluding the premium of $3,320,795. For additional information on debt, see Note 13 to the basic financial statements.

ECONOMIC FACTORS

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Gallia County Local School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents and Investments	$ 15,693,356
Accounts Receivable	233,403
Accrued Interest Receivable	3,969
Due from Agency Fund	3,373
Prepaid Items	83,198
Intergovernmental Receivable	688,714
Property Taxes Receivable	15,966,691
Nondepreciable Capital Assets	603,724
Depreciable Capital Assets, Net	49,841,626
Total Assets	83,118,054
Deferred Outflows of Resources	
Pensions:	
State Teachers Retirement System	10,305,910
School Employees Retirement System	1,621,257
OPEB:	
State Teachers Retirement System	416,042
School Employees Retirement System	77,967
Unamortized Deferred Amount on Refunding	1,945,148
Total Deferred Outflows of Resources	14,366,324
Liabilities	
Accounts Payable	250,165
Accrued Wages and Benefits Payable	2,061,394
Contracts Payable	28,069
Intergovernmental Payable	460,521
Accrued Interest Payable	246,167
Matured Compensated Absences Payable	46,980
Non-Current Liabilities:	
Due Within One Year	1,740,594
Due in More Than One Year:	
Net Pension Liability (See Note 10)	31,194,240
Net OPEB Liability (See Note 11)	7,113,855
Other Amounts Due in More Than One Year	38,346,476
Total Liabilities	81,488,461
Deferred Inflows of Resources	
Pensions:	
State Teachers Retirement System	1,049,485
School Employees Retirement System	32,630
OPEB:	
State Teachers Retirement System	492,497
School Employees Retirement System	313,778
Property Taxes not Levied to Finance Current Year Operations	14,943,075
Total Deferred Inflows of Resources	16,831,465
Net Position	
Net Investment in Capital Assets	14,140,822
Restricted for:	
Debt Service	10,800,014
Capital Projects	1,360,267
Other Purposes	169,734
Contributions:	
Expendable	3,350
Non-Expendable	92,000
Unrestricted	(27,401,735)
Total Net Position	$ (835,548)

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

Gallia County Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$ 9,187,354	$ 1,248,969	$ 195,561	$ (7,742,824)
Special	1,807,229	55,288	2,482,679	730,738
Vocational	249,034	45,335	59,986	(143,713)
Other	41,686	7,623	-	(34,063)
Support Services:				
Pupil	368,017	67,244	304	(300,469)
Instructional Staff	630,954	36,058	416,064	(178,832)
Board of Education	310,681	55,153	-	(255,528)
Administration	1,245,371	195,796	155,592	(893,983)
Fiscal	841,749	123,062	39,284	(679,403)
Business	37,997	6,949	-	(31,048)
Operation and Maintenance of Plant	2,294,959	410,618	19,311	(1,865,030)
Pupil Transportation	2,259,833	355,942	110,605	(1,793,286)
Central	449,319	61,788	107,238	(280,293)
Operation of Non-Instructional Services	1,127,418	49,904	1,111,288	33,774
Extracurricular Activities	865,991	227,246	133,134	(505,611)
Interest and Fiscal Charges	1,433,105	3	-	(1,433,102)
Totals	$ 23,150,697	$ 2,946,978	$ 4,831,046	(15,372,673)
General Revenues				
Property Taxes Levied for:				
General Purposes				10,451,643
Debt Service				4,047,590
Permanent Improvements				513,310
Grants and Entitlements not Restricted to Specific Programs				12,625,106
Investment Earnings				43,797
Miscellaneous				333,584
Total General Revenues				28,015,030
Change in Net Position				12,642,357
Net Position Beginning of Year - As Restated, See Note 24				(13,477,905)
Net Position End of Year				$ (835,548)

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

Gallia County Local School District

Balance Sheet

Governmental Funds

June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash, Cash Equivalents and Investments	$ 3,620,333	$ 10,524,083	$ 1,408,798	$ 15,553,214
Receivables:				
Property Taxes	11,107,261	4,304,061	555,369	15,966,691
Accounts	54,001	-	179,402	233,403
Accrued Interest	-	-	3,969	3,969
Interfund	237,980	-	-	237,980
Intergovernmental	242,323	-	446,391	688,714
Prepaid Items	-	-	83,198	83,198
Total Assets	$ 15,261,898	$ 14,828,144	$ 2,677,127	$ 32,767,169
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	$ 221,114	$ -	$ 29,051	$ 250,165
Accrued Wages and Benefits Payable	1,865,809	-	195,585	2,061,394
Contracts Payable	-	-	28,069	28,069
Interfund Payable	-	-	234,607	234,607
Matured Compensated Absences Payable	46,980	-	-	46,980
Intergovernmental Payable	417,315	-	43,206	460,521
Total Liabilities	2,551,218	-	530,518	3,081,736
Deferred Inflows of Resources				
Property Taxes not Levied to Finance Current Year Operations	10,395,180	4,028,130	519,765	14,943,075
Unavailable Revenue - Delinquent Taxes	506,354	196,212	25,318	727,884
Unavailable Revenue - Grants	-	-	168,970	168,970
Unavailable Revenue - Gifts and Donations	-	-	166,600	166,600
Total Deferred Inflows of Resources	10,901,534	4,224,342	880,653	16,006,529
Fund Balances				
Nonspendable	-	-	175,198	175,198
Restricted	-	10,603,802	1,200,195	11,803,997
Assigned	155,070	-	-	155,070
Unassigned (Deficit)	1,654,076	-	(109,437)	1,544,639
Total Fund Balances	1,809,146	10,603,802	1,265,956	13,678,904
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 15,261,898	$ 14,828,144	$ 2,677,127	$ 32,767,169

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

Gallia County Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$ 13,678,904
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		50,445,350
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	727,884	
Gifts and Donations	166,600	
Intergovernmental	168,970	
Total		1,063,454
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions and OPEB	12,421,176	
Deferred inflows of resources realted to pensions and OPEB	(1,888,390)	
Net Pension Liability	(31,194,240)	
Net OPEB Liability	(7,113,855)	
Total		(27,775,309)
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		140,142
Long-term liabilities, including bonds, premiums, accrued interest payable, unamortized deferred amount on refunding, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(246,167)	
Compensated Absences	(1,366,275)	
General Obligation Bonds	(32,475,000)	
QZAB Bonds	(2,925,000)	
Premium on Bonds	(3,320,795)	
Unamortized Deferred Amount on Refunding	1,945,148	
Total		(38,388,089)
Net Position of Governmental Activities		$ (835,548)

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

Galllia County Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 10,450,677	$ 4,047,216	$ 513,262	$ 15,011,155
Intergovernmental	13,444,800	255,001	3,627,485	17,327,286
Investment Earnings	32,355	-	11,442	43,797
Charges for Services	18,062	-	57,076	75,138
Tuition and Fees	2,675,681	-	-	2,675,681
Extracurricular Activities	44,341	-	151,818	196,159
Gifts and Donations	-	-	333,200	333,200
Miscellaneous	324,312	-	9,272	333,584
Total Revenues	26,990,228	4,302,217	4,703,555	35,996,000
Expenditures				
Current:				
Instruction:				
Regular	13,612,852	-	710,693	14,323,545
Special	2,506,293	-	1,485,334	3,991,627
Vocational	598,383	-	-	598,383
Other	119,684	-	-	119,684
Support Services:				
Pupil	1,038,316	-	315	1,038,631
Instructional Staff	378,210	-	431,212	809,422
Board of Education	303,079	-	-	303,079
Administration	2,270,507	-	161,206	2,431,713
Fiscal	701,825	113,888	54,940	870,653
Business	37,181	-	-	37,181
Operation and Maintenance of Plant	2,329,483	-	60,056	2,389,539
Pupil Transportation	2,081,850	-	114,595	2,196,445
Central	447,826	-	111,107	558,933
Operation of Non-Instructional Services	-	-	1,150,251	1,150,251
Extracurricular Activities	472,769	-	137,937	610,706
Capital Outlay	98,356	-	587,130	685,486
Debt Service:				
Principal	1,722	1,481,390	-	1,483,112
Interest and Fiscal Charges	18	1,530,304	-	1,530,322
Total Expenditures	26,998,354	3,125,582	5,004,776	35,128,712
Excess of Revenues Over (Under) Expenditures	(8,126)	1,176,635	(301,221)	867,288
Other Financing Sources				
Proceeds from Sale of Assets	1,900	-	-	1,900
Total Other Financing Sources	1,900	-	-	1,900
Net Change in Fund Balances	(6,226)	1,176,635	(301,221)	869,188
Fund Balances Beginning of Year	1,815,372	9,427,167	1,567,177	12,809,716
Fund Balances End of Year	$ 1,809,146	$ 10,603,802	$ 1,265,956	$ 13,678,904

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

Gallia County Local School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$ 869,188
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions	704,781	
Current Year Depreciation	(2,430,543)	
Total		(1,725,762)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the proceeds from the sale of capital assets and the loss on the disposal of capital assets.		
Proceeds from Sale of Capital Assets	(1,900)	
Loss on Disposal of Capital Assets	(13,885)	
Total		(15,785)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	1,388	
Intergovernmental	128,866	
Gifts and Donations	(333,200)	
Total		(202,946)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:		
Amortization of bond premium	214,245	
Amortization of deferred amount on refunding	(125,494)	
Total		88,751
Repayment of long-term debt and capital leases is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		1,483,112
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		2,229,816
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		9,968,892
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(26,624)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	(34,751)	
Decrease in Accrued Interest Payable	8,466	
Total		(26,285)
Net Change in Net Position of Governmental Activities		$ 12,642,357

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

Gallia County Local School District

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Total Revenues and Other Sources	$ 26,962,596	$ 26,962,596	$ 27,601,942	$ 639,346
Total Expenditures and Other Uses	28,184,138	28,227,500	27,471,263	756,237
Net Change in Fund Balance	(1,221,542)	(1,264,904)	130,679	1,395,583
Fund Balance, July 1	2,866,220	2,866,220	2,866,220	-
Prior Year Encumbrances Appropriated	402,289	402,289	402,289	-
Fund Balance, June 30	$ 2,046,967	$ 2,003,605	$ 3,399,188	$ 1,395,583

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

Gallia County Local School District
Statement of Fund Net Position
Governmental Activities
Internal Service Fund
June 30, 2018

	Internal Service Fund
Assets	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	$ 140,142
Total Assets	140,142
Net Position	
Unrestricted	140,142
Total Net Position	$ 140,142

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

Gallia County Local School District
Statement of Revenues, Expenses and Changes in Fund Net Postion
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Internal Service Fund
Operating Expense	
Purchased Services	$ 26,624
Total Operating Expense	26,624
Changes in Net Postion	(26,624)
Net Postion at Beginning of Year	166,766
Net Postion at End of Year	$ 140,142

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

Gallia County Local School District
Statement of Cash Flows
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Internal Service Fund
Decrease in Cash, Cash Equivalents and Investments	
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 35,833
Cash Payments for Purchased Services	(62,457)
Net Cash Used for Operating Activities	(26,624)
Decrease in Cash, Cash Equivalents and Investments	(26,624)
Cash, Cash Equivalents and Investments at Beginning of Year	166,766
Cash, Cash Equivalents and Investments at End of Year	$ 140,142
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (26,624)
Net Cash Used for Operating Activities	$ (26,624)

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

Gallia County Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Fund	Agency Fund
Assets		
Equity in Pooled Cash, Cash Equivalents and Investments	$ 24,402	$ 112,676
Cash and Cash Equivalents with Fiscal Agent	-	5,044
Total Assets	$ 24,402	$ 117,720
Liabilities		
Accounts Payable	$ -	$ -
Interfund Payable	-	3,373
Undistributed Monies	-	114,347
Total Liabilities	$ -	$ 117,720
Net Position		
Held in Trust for Scholarships	$ 24,402	

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

Gallia County Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund
Additions	
Gifts and Contributions	$ 2,150
Deductions	
Payments in Accordance with Trust Agreements	2,666
Change in Net Position	(516)
Net Position Beginning of Year	24,918
Net Position End of Year	$ 24,402

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Gallia County Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District provides educational services as authorized by State statute and/or federal guidelines. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the School District's seven (7) instructional support facilities staffed by 111 non-certificated and 200 certified personnel providing education to approximately 2,371 students.

Reporting Entity

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

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

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

- Parent Teacher Organization
- Booster Club

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

> ***General Fund*** The General Fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.
>
> ***Bond Retirement Fund*** The Bond Retirement Fund is a fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund. The primary source of revenue for this fund is property tax revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

> ***Internal Service Fund*** The Internal Service Fund was used to provide excess coverage for claims in excess of contract amounts for medical, life, and dental benefits provided to employees. As of June 30, 2018 the fund had no claims to process. The remaining net position of $140,142 is surplus left in the fund and is being utilized to pay administration fees of the School District's Flex Spending Account.

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

C. Measurement Focus

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows of resources related to unamortized deferred amounts on refunding, the recording of deferred inflows and outflows of resources related to net pension/OPEB liabilities, the recording of net pension/OPEB liabilities, and the presentation of expenses versus expenditures.

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

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

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds as of June 30, 2018 and for pensions and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Notes 10 and 11. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes, grants, and donations which are not collected in the available period, pensions, and other postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pensions and other postemployment benefits are only reported on the Statement of Net Position. (See Notes 10 and 11)

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

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

F. Cash, Cash Equivalents and Investments

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

During fiscal year 2018, investments were limited to certificates of deposit.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to $32,355 and $11,442 to the Other Governmental Funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

H. Interfund Activity

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

I. Compensated Absences

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Estimates

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

M. Net Position

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

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

The government-wide statement of net position reports $12,425,365 restricted net position, none of which is restricted by enabling legislation.

N. Interfund Assets/Liabilities

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

O. Operating Revenues and Expenses

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

P. Unamortized Bond Issuance Costs/Bond Premium and Discount

On the government-wide financial statements, bond issuance costs are recorded as expenses on the statement of activities. The School District incurred bond issuance costs related to the 2014 School Improvement refunding bonds during a prior fiscal year. Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Pensions and PostEmployment Benefits (OPEB)

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

R. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the Permanent Improvement major fund represent cash held as retainage for contractors.

S. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2018, the Grants, Early Childhood, Restructing Team Grant, Title VI-B, Title I, Improving Teacher Quality, and the Miscellaneous Federal Grants Fund had deficit fund balances of $8,873, $17,659, $1,967, $26,126, $34,025, $155, and $20,632, respectively, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP (modified accrual) basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and

4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance General Fund	
GAAP Basis	($6,226)
Revenue Accruals	654,154
Expenditure Accrual	(327,891)
Perspective Difference:	
Activity of Fund Reclassified for	
GAAP Reporting Purposes	(916)
Encumbrances	(188,442)
Budget Basis	$130,679

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $9,977,773 of the School District's bank balance of $16,321,769 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 2018 taxes were collected for the School District are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$269,805,340	50.04%	$273,431,170	51.07%
Public Utility	269,393,590	49.96%	262,014,470	48.93%
Total Assessed Value	$539,198,930	100.00%	$535,445,640	100.00%
Tax rate per $1,000 of assessed valuation	$28.75		$28.75	

The School District receives property taxes from Gallia and Jackson Counties. The Gallia County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations.

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

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2018 was $205,727 in the General Fund, $79,719 in the Bond Retirement Fund, and $10,286 in the Permanent Improvement Fund and was recognized as revenue for the fiscal year. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is recorded as deferred inflows of resources.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, accounts, accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. As a part of the QZAB issuance, the School District has contributions from an outside source in the amount of $833,000 that is a scheduled to be contributed over a two and a half year period. The remaining $166,600 balance is scheduled to be collected within one year. All other receivables are expected to be collected within one year. A summary of the items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund	$242,323
Non-Major Special Revenue Funds:	
Miscellaneous State Grants	5,945
Special Education, Part B-IDEA	83,036
Early Childhood Education	49,935
Title I	195,850
Improving Teacher Quality	88,412
Early Childhood Special Education, IDEA	6,264
Miscellaneous Federal Grants	16,949
Total Non-Major Special Revenue Funds	446,391
Total Intergovernmental Receivables	$688,714

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
Capital Assets:				
Capital Assets not being depreciated:				
Land	$ 603,724	$ -	$ -	$ 603,724
Total Capital Assets not being Depreciated	603,724	-	-	603,724
Depreciable Capital Assets:				
Land Improvements	7,383,562	181,068	-	7,564,630
Buildings and Improvements	64,492,982	217,936	-	64,710,918
Furniture and Equipment	1,599,887	34,649	(91,333)	1,543,203
Infrastructure	135,627	-	-	135,627
Library and Textbooks	1,138,235	-	-	1,138,235
Vehicles	3,703,217	271,128	(64,023)	3,910,322
Total Capital Assets being Depreciated	78,453,510	704,781	(155,356)	79,002,935
Less Accumulated Depreciation				
Land Improvements	(5,986,071)	(712,843)	-	(6,698,914)
Buildings and Improvements	(16,220,853)	(1,439,994)	-	(17,660,847)
Furniture and Equipment	(825,020)	(85,953)	75,548	(835,425)
Infrastructure	(91,925)	(2,713)	-	(94,638)
Library and Textbooks	(1,138,235)	-	-	(1,138,235)
Vehicles	(2,608,233)	(189,040)	64,023	(2,733,250)
Total Accumulated Depreciation	(26,870,337)	(2,430,543)	139,571	(29,161,309)
Total Capital Assets being Depreciated, Net	51,583,173	(1,725,762)	(15,785)	49,841,626
Capital Assets, Net	$ 52,186,897	$ (1,725,762)	$ (15,785)	$ 50,445,350

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 1,618,777
Special	16,022
Vocational	1,138
Support Services:	
Instructional Staff	2,710
Board of Education	4,275
Administration	8,265
Operation and Maintenance of Plant	8,877
Pupil Transportation	200,794
Central	347
Operation of Non-Instructional Services	11,272
Extracurricular Activities	558,066
Total Depreciation Expense	$ 2,430,543

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the School District, together with other school districts in Ohio participate in the Schools of Ohio Risk Sharing Authority (SORSA), a non-profit, public entity risk sharing pool. SORSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the SORSA (see Note 19). The types and amounts of coverage provided by the Schools of Ohio Risk Sharing Authority during fiscal year 2018 are as follows:

Buildings and Contents	$83,491,199
Earth Movement Limit	2,000,000
Flood Limit	2,000,000
Crime Coverage	1,000,000
EDP Equipment – Per Occurrence	1,250,000
Errors and Omissions Cover	1,000,000
General Liability	15,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District evaluated its insurance coverage during the fiscal year and increased coverage amounts during fiscal year 2018.

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school districts and educational service centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts and educational service centers that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

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

The School District provides health and major medical, and prescription drug insurance for all eligible employees through Medical Mutual. The School District pays monthly premiums of up to $1,667 for family coverage and up to $666.80 for individual coverage. The School District provides dental insurance for all eligible employees through CoreSource. The School District pays monthly premiums of up to $88.88 for family coverage and up to $34.86 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year in included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2018.

The School District's contractually required contribution to SERS was $500,490 for fiscal year 2018. Of this amount $30,750 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS Ohio was $1,631,608 for fiscal year 2018. Of this amount $308,667 is reported as an intergovernmental payable.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability reported as of June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.1150495%	0.10237873%	
Proportionate Share of the Net Pension Liability - Prior Year	0.1153815%	0.09833298%	
Change in Proportionate Share	-0.0003320%	0.00404575%	
Proportion of the Net Pension Liability	$6,873,953	$24,320,287	$31,194,240
Pension Expense (Gain)	($112,126)	($8,836,877)	($8,949,003)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$295,831	$939,136	$1,234,967
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	510,864	2,354,916	2,865,780
Changes of assumptions	355,457	5,319,114	5,674,571
School District contributions subsequent to the measurement date	459,105	1,692,744	2,151,849
Total	$1,621,257	$10,305,910	$11,927,167

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$0	$196,012	$196,012
Differences between projected and actual investment earnings	32,630	802,598	835,228
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	0	50,875	50,875
Total	$32,630	$1,049,485	$1,082,115

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

$2,151,849 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$553,022	$1,767,570	$2,320,592
2020	622,928	2,910,255	3,533,183
2021	113,818	2,212,883	2,326,701
2022	(160,246)	672,973	512,727
Total	$1,129,522	$7,563,681	$8,693,203

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

Prior to 2017, an assumption of 3 percent was used for COLA and Ad Hoc COLA. For 2017, Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$9,539,261	$6,873,953	$4,641,215

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2017 actuarial valuation compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017	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 the fifth anniversary of retirement date.
Payroll Increases	3.00%	

For the July 1, 2017 actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set-back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study effective July 1, 2012.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$34,862,303	$24,320,287	$15,440,218

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2018, one of the School District's members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. 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 2018, the School District's surcharge obligation was $59,740.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $77,967 for fiscal year 2018.

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.11668920%	0.09833298%	
Proportion of the Net OPEB Liability Current Measurement Date	0.11623400%	0.10237873%	
Change in Proportionate Share	-0.00045520%	0.00404575%	
Proportionate Share of the Net OPEB Liability	$3,119,415	$3,994,440	$7,113,855
OPEB Expense (Gain)	$168,089	($1,187,978)	($1,019,889)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$0	$230,584	$230,584
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	0	185,458	185,458
School District contributions subsequent to the measurement date	77,967	0	77,967
Total	$77,967	$416,042	$494,009
Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between projected and actual investment earnings	$8,238	$170,732	$178,970
Changes of assumptions	296,016	321,765	617,781
Difference from a change in proportion and differences between School District contribtuions and proportionate share of contributions	9,524	0	9,524
Total	$313,778	$492,497	$806,275

$77,967 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($112,762)	($26,970)	($139,732)
2020	(112,762)	(26,970)	(139,732)
2021	(86,193)	(26,970)	(113,163)
2022	(2,061)	(26,970)	(29,031)
2023	0	15,713	15,713
Thereafter	0	15,712	15,712
Total	($313,778)	($76,455)	($390,233)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

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

The most recent experience study was completed for the five-year period ended June 30, 2015.

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$3,767,091	$3,119,415	$2,606,291

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$2,531,172	$3,119,415	$3,897,966

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$5,362,472	$3,994,440	$2,913,248

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$2,775,166	$3,994,440	$5,599,148

NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE

During a prior fiscal year, the School District entered into an agreement for zero turn mowers and for copiers. These leases meet the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable has been recorded on the government-wide statements. Principal payments in fiscal year 2018 were $3,112 in the governmental funds, which paid the leases in full.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2018 were as follows:

	Principal Outstanding 06/30/17*	Additions	Deductions	Principal Outstanding 06/30/18	Due Within One Year
Classroom Facilities General					
Obligation Bonds 2014 2% - 5%	$ 33,745,000	$ -	$ (1,270,000)	$ 32,475,000	$ 1,410,000
Premium	3,535,040	-	(214,245)	3,320,795	-
2016 QZAB Bond	3,135,000	-	(210,000)	2,925,000	210,000
Total Long-Term Bonds	40,415,040	-	(1,694,245)	38,720,795	1,620,000
Net Pension Liability:					
STRS	32,915,012	-	(8,594,725)	24,320,287	-
SERS	8,444,861	-	(1,570,908)	6,873,953	-
Total Net Pension Liability	41,359,873	-	(10,165,633)	31,194,240	-
Net OPEB Liability:					
STRS	5,258,873	-	(1,264,433)	3,994,440	-
SERS	3,326,074	-	(206,659)	3,119,415	-
Total OPEB Liability	8,584,947	-	(1,471,092)	7,113,855	-
Compensated Absences	1,331,524	965,903	(931,152)	1,366,275	120,594
Capital Leases	3,112	-	(3,112)	-	-
Total Long-Term Obligations	$ 91,694,496	$ 965,903	$ (14,265,234)	$ 78,395,165	$ 1,740,594

*As restated for GASB 75, See Note 24 for additional information.

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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

The advance refunding of School Improvement General Obligation Bonds 2006 resulted in a difference of $2,384,377 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization for fiscal year 2018 was $125,494.

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

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

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

Compensated absences will be paid from the fund which the employee's salaries are paid, with the General Fund being the most significant. Capital leases were paid in full during 2018 from the General Fund and Bond Retirement Fund.

The School District's voted legal debt margin was $12,790,108. The School District has an unvoted debt margin of $535,446 at June 30, 2018.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2018, are as follows:

	2014 Refunding Bonds			2016 QZAB
	Principal	Interest	Total	Principal
2019	$1,410,000	$1,448,800	$2,858,800	$210,000
2020	1,500,000	1,403,725	2,903,725	215,000
2021	1,530,000	1,348,600	2,878,600	215,000
2022	1,610,000	1,270,100	2,880,100	220,000
2023	1,685,000	1,187,725	2,872,725	220,000
2024-2028	9,755,000	4,614,025	14,369,025	1,135,000
2029-2033	12,175,000	2,130,525	14,305,525	710,000
2034	2,810,000	56,200	2,866,200	0
Total	$32,475,000	$13,459,700	$45,934,700	$2,925,000

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. METROPOLITAN EDUCATIONAL TECHNOLOGY ASSOCIATION (META) SOLUTIONS

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

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The Center paid META $195,486 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

B. GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT

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

C. GALLIA-VINTON EDUCATIONAL SERVICE CENTER

Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Educational Service Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2018, the School District made $16,005 in contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Jay Carter, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.

D. EDUCATIONAL REGIONAL SERVICE SYSTEM (ERSS)

The Educational Regional Service System consists of 16 designated regions to provide services to school districts, community schools, and chartered nonpublic schools in order to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 39105 Bradbury Road, Middleport, Ohio 45760.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)

E. COALITION OF RURAL AND APPALACHIAN SCHOOLS (CORAS)

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2018, the School District made a payment of $325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

NOTE 15 - INSURANCE PURCHASING POOL

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

NOTE 16 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

B. Litigation

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

C. Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to or liability of, the School District.

NOTE 17- DEFERRED COMPENSATION

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

NOTE 18- STATUTORY SET-ASIDES

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

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

	Capital Acquisition
Set-aside Balance as of June 30, 2017	$0
Current year set-aside requirement	411,331
Current Year Qualifying disbursements	(411,331)
Set-aside Balance as of June 30, 2018	$0

The carryover amount in the Capital Acquisition Set-Aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was $41,296,662 at June 30, 2018.

NOTE 19 - RISK SHARING POOL

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

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

NOTE 20– INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2019 fiscal year:

Interfund Loans	Receivable	Payable
General Fund	$237,980	$0
Non-Major Special Revenue Funds		
Improving Teacher Quality	0	16,589
Title I	0	120,487
Title VI-B	0	39,690
Miscellaneous State Grant	0	1,267
Grants	0	13,004
District Managed Activities	0	781
Public Preschool	0	17,214
Early Childhood	0	1,679
Miscellaneous Federal Grant	0	23,896
Total Non-Major Special Revenue Funds	0	234,607
Agency Fund	0	3,373
Total Interfund Receivables/Payables	$237,980	$237,980

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

NOTE 21 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: 45 days maximum for one to nine years of service; 50 days maximum for 10 to 19 years of service; and 65 days maximum for 20 or more years of service. Classified employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments as follows: 47 days maximum for one to nine years of service; 52 days maximum for 10 to 19 years of service; and 63 days maximum for 20 or more years of service.

NOTE 22 – FUND BALANCES

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Scholarship	$0	$0	$92,000	$92,000
Prepaid Items	0	0	83,198	83,198
Total Nonspendable	0	0	175,198	175,198
Restricted for				
Contributions	0	0	3,350	3,350
Other Purposes	0	0	111,694	111,694
Capital Improvements	0	0	1,085,151	1,085,151
Debt Services Payments	0	10,603,802	0	10,603,802
Total Restricted	0	10,603,802	1,200,195	11,803,997
Assigned to				
Other Purposes	155,070	0	0	155,070
Total Assigned	155,070	0	0	155,070
Unassigned (Deficit)	1,654,076	0	(109,437)	1,544,639
Total Fund Balances	$1,809,146	$10,603,802	$1,265,956	$13,678,904

NOTE 23 – ENCUMBRANCES

At June 30, 2018, the School District had significant encumbrance commitments in governmental funds as follows:

Major Fund:	
General	$188,442
Non-Major Funds:	
Permanent Improvement	125,584
Construction	220,590
Improving Teacher Quality	55,797
Total Non-Major Funds	401,971
Total Funds	$ 590,413

NOTE 24 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73,* and GASB Statement No. 85, *Omnibus 2017.*

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the School District and certain additional disclosures have been made in the notes to the basic financial statements.

Net position, July 1, 2017-As previously stated	$(4,953,928)
School District Share of Beginning Plan Net OPEB Liability	(8,584,947)
School District Share of 2017 Employer Contributions	60,970
Net position, July 1, 2017-As restated	$(13,477,905)

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. 82 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the School District.

NOTE 25 – OPERATING LEASE

The School District signed an operating lease in 2015 with SolarCity Corporation for the purpose of solar power production and distribution equipment located on the premises of River Valley Middle School, River Valley High School, Southwestern Elementary School, and Addaville Elementary School. During fiscal year 2018, these leases were acquired by SunWyz, LLC. Rental payments made to SunWyz, LLC during fiscal year 2018 was $27,517 for River Valley High School. The remaining solar panels were not operational until fiscal year 2019. The rental payments for the leases are as follows:

Contract Year	River Valley High School	River Valley Middle School	Addaville Elementary School	Southwestern Elementary School	Total
2019	$47,718	$25,128	$32,052	$25,152	$130,050
2020	48,668	25,632	32,700	25,656	132,656
2021	49,635	26,136	33,348	26,160	135,279
2022	50,621	26,664	34,008	26,676	137,969
2023	51,631	27,192	34,680	27,216	140,719
2024-2028	273,952	144,276	184,032	144,396	746,656
2029-2033	302,265	159,204	203,052	159,324	823,845
2034-2038	333,534	175,656	224,064	175,800	909,054
2039-2043	323,015	193,812	247,236	193,980	958,043
Total	$1,481,039	$803,700	$1,025,172	$804,360	$4,114,271

This page intentionally left blank.

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

	2018	2017	2016	2015	2014
Total plan pension liability	$ 19,588,417,687	$ 19,770,708,121	$ 18,503,280,961	$ 17,881,827,171	$ 17,247,161,078
Plan net position	13,613,638,590	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.1150495%	0.1153815%	0.1019569%	0.0948660%	0.0948660%
School District's proportionate share of the net pension liability	$ 6,873,953	$ 8,444,861	$ 5,817,760	$ 4,801,114	$ 5,641,377
School District's covered-employee payroll	$ 3,857,300	$ 3,583,321	$ 3,069,340	$ 2,756,623	$ 3,137,890
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.21%	235.67%	189.54%	174.17%	179.78%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.
See notes to accompanying required supplemenatary information.

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

	2018	2017	2016	2015	2014
Total plan pension liability	$ 96,126,440,462	$ 100,756,422,489	$ 99,014,653,744	$ 96,167,057,104	$ 94,366,693,720
Plan net position	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.10237873%	0.09833298%	0.09117680%	0.09015917%	0.09015917%
School District's proportionate share of the net pension liability	$ 24,320,287	$ 32,915,012	$ 25,198,601	$ 21,929,830	$ 26,122,670
School District's covered-employee payroll	$ 11,255,286	$ 10,345,807	$ 9,512,771	$ 9,212,062	$ 9,275,954
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.08%	318.15%	264.89%	238.06%	281.62%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2014 is not available.
See notes to accompanying required supplemenatary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 500,490	$ 540,022	$ 501,665	$ 404,539	$ 382,068	$ 434,284	$ 405,795	$ 335,403	$ 450,305	$ 243,703
Contributions in relation to the contractually required contribution	(500,490)	(540,022)	(501,665)	(404,539)	(382,068)	(434,284)	(405,795)	(335,403)	(450,305)	(243,703)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$ 3,707,333	$ 3,857,300	$ 3,583,321	$ 3,069,340	$ 2,756,623	$ 3,137,890	$ 3,017,063	$ 2,668,282	$ 3,325,739	$ 2,476,657
Contributions as a percentage of covered employee payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See notes to accompanying required supplemenatary information.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,631,608	$ 1,575,740	$ 1,448,413	$ 1,331,788	$ 1,197,568	$ 1,205,874	$ 1,248,427	$ 1,261,201	$ 1,301,300	$ 1,250,503
Contributions in relation to the contractually required contribution	(1,631,608)	(1,575,740)	(1,448,413)	(1,331,788)	(1,197,568)	(1,205,874)	(1,248,427)	(1,261,201)	(1,301,300)	(1,250,503)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District covered-employee payroll	$ 11,654,343	$ 11,255,286	$ 10,345,807	$ 9,512,771	$ 9,212,062	$ 9,275,954	$ 9,603,285	$ 9,701,546	$ 10,010,000	$ 9,619,254
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See notes to accompanying required supplemenatary information.

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

	2018	2017
Total plan OPEB liability	$ 3,065,846,821	$ 3,220,574,434
Plan net position	382,109,560	370,204,515
Net OPEB liability	2,683,737,261	2,850,369,919
School District's proportion of the net OPEB liability	0.1162340%	0.1166892%
School District's proportionate share of the net OPEB liability	$ 3,119,415	$ 3,326,074
School District's covered-employee payroll	$ 3,857,300	$ 3,583,321
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	80.87%	92.82%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

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

See notes to accompanying required supplementary information.

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

	2018	2017
Total plan OPEB liability	$ 7,377,410,000	$ 8,533,654,000
Plan net position	3,475,779,000	3,185,628,000
Net OPEB liability	3,901,631,000	5,348,026,000
School District's proportion of the net OPEB liability	0.10237873%	0.09833298%
School District's proportionate share of the net OPEB liability	$ 3,994,440	$ 5,258,873
School District's covered-employee payroll	$ 11,255,286	$ 10,345,807
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	35.48%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	47.11%	37.33%

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

See notes to accompanying required supplementary information.

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

	2018	2017	2016
Contractually required contribution	$ 77,967	$ 60,970	$ 58,027
Contributions in relation to the contractually required contribution	(77,967)	(60,970)	(58,027)
Contribution deficiency (excess)	$ -	$ -	$ -
School District's covered-employee payroll	$ 3,400,778	$ 3,857,300	$ 3,583,321
Contributions as a percentage of covered employee payroll	2.29%	1.58%	1.62%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

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

	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
School District covered-employee payroll	$ 12,091,029	$ 11,255,286	$ 10,345,807
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

State Teachers Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

OPEB

Changes in benefit terms

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

School Employees Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

Changes in assumptions

There were no changes in assumptions since the prior measurement date.

OPEB

Changes in benefit terms

There were no changes in benefit terms since the prior measurement date.

Changes in assumptions

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.

GALLIA LOCAL SCHOOL DISTRICT
GALLIA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass-Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass-Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution) National School Lunch Program	10.555	2017/2018	$122,238
Cash Assistance			
School Breakfast Program	10.553	2017/2018	321,500
National School Lunch Program	10.555	2017/2018	832,063
Total Child Nutrition Cluster			1,275,801
Total U.S. Department of Agriculture			1,275,801
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	2017	197,192
		2018	872,621
Total Title I Grants to Local Educational Agencies			1,069,813
Special Education Cluster:			
Special Education Grants to States	84.027	2017	32,033
		2018	492,484
Total Special Education Grants to States			524,517
Special Education Pre-School Grants	84.173	2018	2,421
Total Special Education Cluster			526,938
Twenty-First Century Community Learning Centers	84.287	2018	400,000
Rural Education	84.358	2017	11,182
		2018	65,987
Total Rural Education			77,169
Improving Teacher Quality State Grants	84.367	2017	28,173
		2018	142,415
Total Improving Teacher Quality State Grants			170,588
Student Support and Academic Enrichment Program	84.424	2018	13,930
Total U.S. Department of Education			2,258,438
Total Expenditures of Federal Awards			**$3,534,239**

The accompanying notes are an integral part of this Schedule.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule), includes the federal award activity of the Gallia County Local School District (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2017 to 2018 programs:

Program Title	CFDA Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	$222,620
Special Education - Grants to States	84.027	$115,529
Special Education -Preschool Grants	84.173	$346
Rural Education	84.358	$23,686
Improving Teacher Quality State Grants	84.367	$173,538

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 26, 2019, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2018-001.

School District's Response to Findings

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

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

April 26, 2019

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

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Gallia County Local School District's, Gallia County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on each Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

April 26, 2019

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2018-001

Noncompliance/Finding for Recovery – Repaid Under Audit

Payroll check #142785 in the net amount of $987 was written September 23, 2016 to Everett Brandt. This check cleared October 7, 2016. Due to a misunderstanding, the initial check was marked void on June 7, 2017 and a replacement check was issued although the original check had been deposited. Replacement payroll check #143455 cleared January 3, 2018. Therefore, Mr. Brandt was paid twice for the same pay period.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2018-001 (Continued)

Noncompliance/Finding for Recovery – Repaid Under Audit (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery is hereby issued for public monies illegally expended against Everett Brandt in the amount of $987 and in favor of the Gallia County Local School District's payroll bank account.

Also, in accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery is hereby issued for public monies illegally expended against Treasurer, Julia Slone, and her bonding company, Cincinnati Insurance Company, jointly and severally, in the amount of $987, and in favor of the Gallia County Local School District's payroll bank account.

Mr. Brandt repaid the $987 finding referenced above on February 9, 2019. The amount was repaid back into the Gallia County Local School District's payroll bank account in the amount of $987.

Officials' Response: The finding has been repaid.

3. FINDINGS FOR FEDERAL AWARDS

None

Gallia County Local Schools
4836 State Route 325•Patriot, Ohio 45658
Phone (740) 446-7917•Fax (740) 446-3187
www.gallialocal.org

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Employee was contacted and repaid the finding	2/9/2019	Julia Slone, Treasurer Tammy J. White, Payroll Administrative Assistant

This page intentionally left blank.

GALLIA COUNTY LOCAL SCHOOL DISTRICT

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 9, 2019

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