

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2000***

ELLEN MARPLE, TREASURER



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

We have reviewed the independent auditor's report of the Gallipolis City School District, Gallia County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 4, 2001

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

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Gallipolis City School District, Gallia County (the "District"), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gallipolis City School District, Gallia County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Trimble, Julian & Grube, Inc.
December 5, 2000

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Agency		General	Long-Term Obligations
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$2,046,580	\$531,635		\$651,051	\$298,905	\$59,032			\$3,587,203		
Receivables (net of allowances of uncollectibles):											
Property taxes - current and delinquent	3,563,106		\$158,420						3,721,526		
Accounts	2,631								2,631		
Due from other governments	5,211								5,211		
Prepayments	42,252	340							42,592		
Materials and supplies inventory	78,213				7,581				85,794		
Restricted assets:											
Equity in pooled cash and cash equivalents	441,094								441,094		
Property, plant and equipment (net of accumulated depreciation where applicable)					57,094		\$8,440,691		8,497,785		
OTHER DEBITS:											
Amount available in Debt Service Fund								\$9,412	9,412		
Amount to be provided for retirement of General Long-Term Obligations								1,944,917	1,944,917		
Total assets and other debits	\$6,179,087	\$531,975	\$158,420	\$651,051	\$363,580	\$59,032	\$8,440,691	\$1,954,329	\$18,338,165		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)			
	General	Special Revenue	Debt Service			Capital Projects	Enterprise		Agency	General	Long-Term Obligations
										Fixed Assets	
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$246,688	\$38,255		\$27,335				\$316,394			
Accrued wages and benefits	1,200,476	165,663		32,737				1,398,876			
Compensated absences payable	32,866			22,174			\$1,432,276	1,487,316			
Pension obligation payable	180,270	20,718		14,261			70,253	285,502			
Deferred revenue	3,351,419	1,000	\$149,008	5,362				3,506,789			
Due to other governments					\$19,265			19,265			
Due to students					39,767			39,767			
Energy conservation notes payable							451,800	451,800			
Total liabilities	5,011,719	225,636	149,008	101,869	59,032	-	1,954,329	7,505,709			
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets						\$8,440,691		8,440,691			
Retained earnings: unreserved				261,711				261,711			
Fund balances:											
Reserved for encumbrances	574,081	151,945						780,796			
Reserved for materials and supplies inventory	78,213							78,213			
Reserved for prepayments	42,252	340						42,592			
Reserved for tax revenue unavailable for appropriation	211,687		9,412					221,099			
Reserved for instructional materials	193,118							193,118			
Reserved for capital maintenance	162,703							162,703			
Reserved for budget stabilization	85,273							85,273			
Unreserved-undesignated	(179,959)	154,054						566,260			
Total equity and other credits	1,167,368	306,339	9,412	261,711	-	8,440,691	-	10,832,456			
Total liabilities, equity and other credits	\$6,179,087	\$531,975	\$158,420	\$363,580	\$59,032	\$8,440,691	\$1,954,329	\$18,338,165			

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$3,735,456		\$156,771		\$3,892,227
Tuition	19,945				19,945
Earnings on investments	206,482				206,482
Extracurricular		\$278,117			278,117
Other local revenues	102,509	24,954			127,463
Intergovernmental - State	7,819,525	838,680		\$84,000	8,742,205
Intergovernmental - Federal	56,270	1,022,701			1,078,971
Total revenues.	11,940,187	2,164,452	156,771	84,000	14,345,410
Expenditures:					
Current:					
Instruction:					
Regular	5,434,776	728,821		19,706	6,183,303
Special	1,346,082	467,256			1,813,338
Vocational	246,787				246,787
Support services:					
Pupil	630,259	29,458			659,717
Instructional staff	317,115	503,949			821,064
Board of Education	25,515				25,515
Administration	1,033,953	52,828			1,086,781
Fiscal	280,645	12,524			293,169
Operations and maintenance	1,147,386	14,146			1,161,532
Pupil transportation	960,705				960,705
Central	72,219	28,882			101,101
Extracurricular activities	204,471	224,125			428,596
Facilities services	10,044				10,044
Debt service:					
Principal retirement			127,500		127,500
Interest and fiscal charges			29,982		29,982
Total expenditures	11,709,957	2,061,989	157,482	19,706	13,949,134
Excess (deficiency) of revenues over (under) expenditures	230,230	102,463	(711)	64,294	396,276
Other financing sources:					
Proceeds from sale of assets	5,335				5,335
Total other financing sources	5,335	-	-	-	5,335
Excess (deficiency) of revenues and other financing sources over (under) expenditures	235,565	102,463	(711)	64,294	401,611
Fund balances, July 1	919,847	203,876	10,123	582,641	1,716,487
Increase in reserve for inventory	11,956				11,956
Fund balances, June 30.	\$1,167,368	\$306,339	\$9,412	\$646,935	\$2,130,054

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,875,418	\$3,876,055	\$637				\$156,906	\$156,906	\$0				\$4,032,324	\$4,032,961	\$637
Tuition.....	19,600	19,945	345										19,600	19,945	345
Earnings on investments.....	200,000	206,482	6,482										200,000	206,482	6,482
Extracurricular revenue.....	98,800	108,031	9,231	\$280,206	\$295,866	\$15,660							280,206	295,866	15,660
Other local revenues.....	7,812,688	7,819,925	7,237	25,141	26,547	1,406							123,941	134,578	10,637
Intergovernmental - State.....	50,000	52,608	2,608	863,718	863,718	0	\$84,000	\$84,000	\$0				8,760,406	8,767,643	7,237
Intergovernmental - Federal.....	12,056,506	12,085,046	28,540	1,234,397	1,022,706	(211,691)							1,284,397	1,075,314	(209,083)
Total revenues.....				2,403,462	2,208,837	(194,625)	156,906	156,906	0	84,000	84,000	0	14,700,874	14,532,789	(168,085)
Expenditures:															
Current:															
Instruction:															
Regular.....	5,729,398	5,554,880	174,518	953,024	827,587	125,437				99,469	70,938	28,531	6,781,891	6,453,405	328,486
Special.....	1,346,078	1,337,113	8,965	639,561	465,861	173,700							1,985,639	1,802,974	182,665
Vocational.....	247,341	246,448	893										247,341	246,448	893
Support services:															
Pupil.....	648,144	640,982	7,162	30,360	30,360	0				1,200	0	1,200	678,504	671,342	7,162
Instructional staff.....	342,465	331,528	10,937	682,504	551,701	130,803							1,026,169	883,229	142,940
Board of Education.....	291,135	27,723	1,412										29,135	27,723	1,412
Administration.....	1,071,531	1,034,291	37,240	71,528	60,154	11,374							1,143,059	1,094,445	48,614
Fiscal.....	324,962	290,923	34,039	12,524	12,524	0							337,486	303,447	34,039
Operations and maintenance.....	1,412,631	1,201,762	210,869	30,968	14,145	16,823							1,443,599	1,215,907	227,692
Pupil transportation.....	1,089,828	1,075,832	13,996										1,089,828	1,075,832	13,996
Central.....	93,429	46,727	46,702	28,046	26,024	2,022							121,475	72,751	48,724
Extracurricular activities.....	225,045	211,346	13,699	236,034	236,034	0							461,275	447,380	13,895
Facilities services.....	16,585	16,528	57			196							16,585	16,528	57
Debt service:															
Principal retirement.....							127,500	127,500	0				127,500	127,500	0
Interest and fiscal charges.....							29,982	29,982	0				29,982	29,982	0
Total expenditures.....	12,576,572	12,016,083	560,489	2,684,745	2,224,390	460,355	157,482	157,482	0	100,669	70,938	29,731	15,519,468	14,468,893	1,050,575
Excess (deficiency) of revenues over (under) expenditures.....	(520,066)	66,963	587,029	(281,283)	(15,553)	265,730	(576)	(576)	0	(16,669)	13,062	29,731	(818,594)	63,896	882,490
Other financing sources (uses):															
Refund of prior year's expenditures.....	21,363	17,942	(3,421)										21,363	17,942	(3,421)
Refund of prior year's receipts.....	(1,000)	0	1,000	(2,398)	(2,398)	0							(2,398)	(2,398)	1,000
Proceeds of sale of fixed assets.....	5,000	5,335	335										5,000	5,335	335
Total other financing sources (uses).....	25,363	23,277	(2,086)	(2,398)	(2,398)	0	-	-	-	-	-	-	22,965	20,879	(2,086)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(494,703)	90,240	584,943	(283,681)	(17,951)	265,730	(576)	(576)	0	(16,669)	13,062	29,731	(795,629)	84,775	880,404
Fund balances, July 1.....	1,437,058	1,437,058	0	203,607	203,607	0	576	576	0	583,099	583,099	0	2,224,340	2,224,340	0
Prior year encumbrances appropriated.....	377,266	377,266	0	212,409	212,409	0				120	120	0	589,795	589,795	0
Fund balances, June 30.....	\$1,131,621	\$1,904,564	\$584,943	\$132,335	\$398,065	\$265,730	\$0	\$0	\$0	\$566,550	\$596,281	\$29,731	\$2,018,506	\$2,898,910	\$880,404

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees.	\$43,340
Sales/charges for services.	203,208
Total operating revenues.	246,548
Operating expenses:	
Personal services	253,284
Contract services	17,122
Materials and supplies.	317,501
Depreciation.	7,858
Other.	190
Total operating expenses.	595,955
Operating loss.	(349,407)
Nonoperating revenues/(expenses):	
Operating grants.	261,902
Loss on disposal.	(1,372)
Federal commodities	45,420
Interest revenue	9,752
Total nonoperating revenues.	315,702
Net loss.	(33,705)
Retained earnings, July 1	295,416
Retained earnings, June 30	\$261,711

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$43,340
Cash received from sales/service charges	203,208
Cash payments for personal services	(243,124)
Cash payments for contract services	(16,984)
Cash payments for materials and supplies	(243,819)
Cash payments for other expenses	(190)
	(257,569)
Cash flows from noncapital financing activities:	
Cash received from operating grants	263,492
	263,492
Cash flows from capital and related financing activities:	
Acquisition of capital assets.	(14,531)
	(14,531)
Cash flows from investing activities:	
Interest received.	9,752
	9,752
Net increase in cash and cash equivalents.	1,144
Cash and cash equivalents at beginning of year	297,761
Cash and cash equivalents at end of year	\$298,905
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	(\$349,407)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,858
Federal donated commodities	45,420
Changes in assets and liabilities:	
Decrease in materials and supplies inventory.	4,845
Decrease in prepayments	138
Increase in accounts payable	27,087
Increase in accrued wages and benefits	3,729
Increase in compensated absences payable	5,682
Increase in pension obligation payable	749
Decrease in deferred revenue	(3,670)
	(257,569)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 209th largest by enrollment among the 660 public and community districts in the State. It currently operates 3 elementary schools and 1 comprehensive high school. The District employs 78 non-certified and 170 certified (including 21 administrative) full-time and part-time employees to provide services to approximately 2,491 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

POTENTIAL COMPONENT UNIT REPORTED AS AGENCY FUNDS

Southeast Ohio Area Media Center (SOAMC)

SOAMC is a separate entity that the District serves as fiscal agent, but is not accountable as defined in GASB Statement No. 14. Accordingly, it has been included in the District's financial statements as an agency fund.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

JOINTLY GOVERNED ORGANIZATION

Gallia-Jackson-Vinton Joint Vocational School District - The Vocational School District (the "JVS") is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The school accepts non-tuition students from the District as a member JVS, however, it is considered a separate political subdivision and is not considered to be part of the District.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Expendable Trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance (and recognized as revenue) but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations can not exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Gallia County Budget Commission for tax rate determination.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$200,000
Special Revenue Funds	411,275
Debt Service Fund	(960)
Capital Projects Fund	<u>84,000</u>
 Total Net Increase	 <u>\$694,315</u>

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 9.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 2000 totaled \$206,482, which included \$90,695 assigned from other funds of the District.

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

F. Materials and Supplies Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

G. Prepayments

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayment and deferrals are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. 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 capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

<p><u>Entitlements</u></p> <p><u>General Fund</u></p> <p>State Foundation Program</p> <p>State Property Tax Relief</p> <p><u>Debt Service Fund</u></p> <p>State Property Tax Relief</p> <p><u>Special Revenue Fund</u></p> <p>Disadvantaged Pupil Impact Aid</p> <p><u>Non-Reimbursable Grants</u></p> <p><u>Special Revenue Funds</u></p> <p>Drug-Free School Grant</p> <p>Preschool for the Handicapped</p> <p>School to Work</p> <p>Venture Capital</p> <p>Goals 2000</p> <p>Instructional Materials Subsidy</p> <p>Education for Economic Security</p> <p>Teacher Development</p> <p>Teenage Pregnancy Prevention</p> <p>Management Information Systems</p> <p>Classroom Reduction</p> <p>Ohio Reads</p> <p>Special Education Transition Funding</p> <p>Title VI-B</p>	<p><u>Non-Reimbursable Grants - (cont'd)</u></p> <p><u>Special Revenue Funds - (cont'd)</u></p> <p>Title I</p> <p>Title VI</p> <p>SchoolNet Professional Development</p> <p>Alternative School Grant</p> <p>Community Alternative Funding System</p> <p><u>Capital Projects Funds</u></p> <p>SchoolNet</p> <p>Technology Equity</p> <p>Emergency Building Repair</p> <p><u>Reimbursable Grants</u></p> <p><u>Proprietary Funds</u></p> <p>National School Lunch Program</p> <p>National School Breakfast Program</p> <p>Government Donated Commodities</p> <p><u>General Fund</u></p> <p>Driver Education</p> <p>Vocational Education</p> <p>School Bus Purchases</p> <p><u>Special Revenue Fund</u></p> <p>Telecommunications Grant</p>
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Grants and entitlements amounted to over 67% of the District's operating revenue during the 2000 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**GALLIPOLIS CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

K. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax revenue unavailable for appropriation, instructional materials, capital maintenance and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

M. Interfund Transactions

Transactions between funds during the normal course of operations may occur. These may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

There were no interfund transactions for fiscal year 2000.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

N. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserved</u>	<u>Designated</u>
Set-aside cash balance as of 7/1/99 (restated)	\$ 70,829	\$ 125,843	\$ 0	\$ 71,280
Current year set-aside requirement	251,729	251,729	12,630	0
District allocation from designated to reserved	0	0	71,280	(71,280)
Workers' compensation refund	0	0	1,363	0
Qualifying disbursements	<u>(129,440)</u>	<u>(214,869)</u>	<u>0</u>	<u>0</u>
Total, June 30, 2000	<u>\$ 193,118</u>	<u>\$ 162,703</u>	<u>\$85,273</u>	<u>0</u>
Cash balance carried forward to FY 2001	<u>\$ 193,118</u>	<u>\$ 162,703</u>	<u>\$85,273</u>	<u>0</u>

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for instructional materials	\$193,118
Amount restricted for capital maintenance	162,703
Amount restricted for budget stabilization	<u>85,273</u>
Total restricted assets	<u>\$441,094</u>

O. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2. N. for statutory reserves.

R. Estimates

The preparation of financial statements in conformity with GAAP 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.

S. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2000, included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Title I	\$(40,285)
Management Information Systems	(371)

These funds complied with Ohio state law which does not allow a cash deficit at year end.

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was \$52,218 and the bank balance was \$93,356 (both amounts are exclusive of payroll clearance accounts). The entire bank balance was covered by federal deposit insurance.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investments since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
Not Subject to Categorization:	
Investment in State	
Treasurer's Investment Pool	\$3,976,079
Total Investments	\$3,976,079

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,028,297	\$ 0
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	<u>(3,976,079)</u>	<u>3,976,079</u>
GASB Statement No. 3	<u>\$ 52,218</u>	<u>\$3,976,079</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29%.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 5 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$131,354,030	77.49	\$138,149,850	78.70
Public Utility Personal	14,590,020	8.61	14,726,300	8.39
Tangible Personal Property	<u>23,568,266</u>	<u>13.90</u>	<u>22,658,327</u>	<u>12.91</u>
	<u>\$169,512,316</u>	<u>100.00</u>	<u>\$175,534,477</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$27.20		\$27.20

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Gallia County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 5 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000, totaled \$211,687 in the General fund and \$9,412 in the Debt Service fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$3,563,106
Accounts	2,631
Due from other governments	5,211
 <u>Debt Service Fund</u>	
Taxes - Current and Delinquent	158,420

NOTE 7 - FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2000</u>
Land and Buildings	\$3,864,276	\$ 11,341	\$ 0	\$3,875,617
Furniture/Equipment	3,022,054	100,912	(3,409)	3,119,557
Vehicles	<u>1,424,827</u>	<u>112,683</u>	<u>(91,993)</u>	<u>1,445,517</u>
Total	<u>\$8,311,157</u>	<u>\$224,936</u>	<u>\$(95,402)</u>	<u>\$8,440,691</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 7 - FIXED ASSETS - (Continued)

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 222,150
Less: Accumulated Depreciation	<u>(165,056)</u>
Net Fixed Assets	<u>\$ 57,094</u>

NOTE 8 - LONG-TERM DEBT

A. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

The following is a description of the District's notes outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Notes Outstanding 07/01/99</u>	<u>Retired in Fiscal 2000</u>	<u>Notes Outstanding 06/30/00</u>
Energy Conservation Note	6.25%	12/05/91	12/01/01	\$187,300	\$ (71,500)	\$115,800
Energy Conservation Note	5.38%	5/01/97	5/01/06	<u>392,000</u>	<u>(56,000)</u>	<u>336,000</u>
Total				<u>\$579,300</u>	<u>\$(127,500)</u>	<u>\$451,800</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for energy conservation notes:

<u>Year Ending June 30</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2001	\$132,000	\$23,392	\$155,392
2002	95,800	15,555	111,355
2003	56,000	11,298	67,298
2004	56,000	8,285	64,285
2005	56,000	5,272	61,272
2006	<u>56,000</u>	<u>2,260</u>	<u>58,260</u>
Total	<u>\$451,800</u>	<u>\$66,062</u>	<u>\$517,862</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 8 - LONG-TERM DEBT - (Continued)

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation payable will be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2000</u>
Compensated Absences	\$1,202,010	\$342,670	\$(112,404)	\$1,432,276
Pension Obligation Payable	73,176	70,253	(73,176)	70,253
Energy Conservation Notes	<u>579,300</u>	<u>- - -</u>	<u>(127,500)</u>	<u>451,800</u>
TOTAL	<u>\$1,854,486</u>	<u>\$412,923</u>	<u>\$(313,080)</u>	<u>\$1,954,329</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$15,807,515 (including available funds of \$9,412), an unvoted debt margin of \$175,534, and an unvoted energy conservation debt margin of \$1,128,010.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 9 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Special Enterprises. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Enterprises</u>	<u>Total</u>
Operating Revenue	\$ 203,157	\$ 42,462	\$ 929	\$ 246,548
Depreciation	7,858	---	---	7,858
Operating Loss	(327,962)	(11,417)	(10,028)	(349,407)
Non-operating Revenues:				
Donated federal commodities	45,420	---	---	45,420
Operating grants	261,902	---	---	261,902
Fixed Assets:				
Additions	14,531	---	---	14,531
Disposals	3,136	---	---	3,136
Loss on Disposals of Assets	(1,372)	---	---	(1,372)
Net Loss	(12,260)	(11,417)	(10,028)	(33,705)
Net Working Capital	179,824	24,683	22,284	226,791
Total Assets	289,656	45,573	28,351	363,580
Long-term Liabilities Payable				
from Operating Revenues	22,174	---	---	22,174
Total Fund Equity	214,744	24,683	22,284	261,711
Encumbrances at 6/30/00	1,357	31,273	---	32,630

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 10 - RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2000, the District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$208,702, \$193,556, and \$192,626, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$104,352, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. STATE TEACHERS RETIREMENT SYSTEM

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14.0 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,010,170, \$974,526, and \$896,000, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$169,796, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$577,240 during the 2000 fiscal year.

**GALLIPOLIS CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$107,734 during the 2000 fiscal year.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$ 90,240	\$(17,951)	\$ (576)	\$13,062
Net Adjustment for Revenue Accruals	(142,859)	(985)	(135)	---
Net Adjustment for Expenditure Accruals	(276,984)	(14,278)	---	(3,538)
Net Adjustment for Other Financing Sources/(Uses)	(17,942)	2,398	---	---
Net Adjustment for Fund Reclassification	---	(19,265)	---	---
Adjustment for Encumbrances	<u>583,110</u>	<u>152,544</u>	<u>---</u>	<u>54,770</u>
GAAP Basis	<u>\$ 235,565</u>	<u>\$102,463</u>	<u>\$ (711)</u>	<u>\$64,294</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 14 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is party to a legal proceeding. According to the District's legal counsel this proceeding is in the investigative stage. The outcome of this proceeding is not yet able to be determined.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$7,364,773 of school foundation support for its General fund.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 14 - CONTINGENT LIABILITIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

SUPPLEMENTAL DATA

**GALLIPOLIS CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Grant Cluster:						
(A), (D) Food Distribution	10.550	N/A		\$42,072		\$45,420
(B), (D) National School Breakfast Program	10.553	N/A	\$50,772		\$50,772	
(B), (D) National School Lunch Program	10.555	N/A	191,399		191,399	
Total Nutrition Cluster and U. S. Department of Agriculture			242,171	42,072	242,171	45,420
U. S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(F) School-to-Work Grant	17.249	N/A	2,500		1,807	
(F) School-to-Work Grant	17.249	N/A	4,150		3,338	
School-to-Work Grant-Tech Prep	17.249	N/A	32,325		1,313	
Total School-to-Work and U.S. Department of Labor			38,975		6,458	
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I Grants to Local Educational Agencies	84.010	44032-C1-S1-99	35,356		84,133	
Title I Grants to Local Educational Agencies	84.010	44032-C1-S1-99C	72,796		72,796	
Title I Grants to Local Educational Agencies	84.010	44032-C1-S1-00	400,275		354,551	
Total Title I			508,427		511,480	
Special Education Grant Cluster:						
(E) Title VI-B Education of the Handicapped	84.027	44032-6B-SF-98P	0		32,406	
(E) Title VI-B Education of the Handicapped	84.027	44032-6B-SF-99P	168,015		120,453	
Total Title VI-B			168,015		152,859	
(E) Special Education Preschool	84.173	44032-PG-S1-98P	0		2,940	
(E) Special Education Preschool	84.173	44032-PG-S1-99P	14,327		11,999	
Total Special Education Preschool			14,327		14,939	
Total Special Education Grant Cluster:			182,342		167,798	
Safe and Drug Free Schools	84.186	44032-DR-S1-99	0		1,821	
Safe and Drug Free Schools	84.186	44032-DR-S1-00	10,698		10,432	
Safe and Drug Free Schools	84.186A	44032-DR-S1-99	0		448	
Safe and Drug Free Schools	84.186A	44032-DR-S1-00	31,509		30,889	
Total Safe and Drug Free Schools			42,207		43,590	
GOALS 2000	84.276	44032-G2-S3-98C	125,459		133,252	
GOALS 2000	84.276	44032-STW-1999	0		4,779	
Total GOALS 2000			125,459		138,031	
Eisenhower Professional Development Grant	84.281	44032-MS-S1-97	0		3,733	
Eisenhower Professional Development Grant	84.281	44032-MS-S1-98	0		5,915	
Eisenhower Professional Development Grant	84.281	44032-MS-S1-99	0		909	
Eisenhower Professional Development Grant	84.281	44032-MS-S1-00	14,135		118	
Total Eisenhower Professional Development Grant			14,135		10,675	
Innovative Education Program Strategies	84.298	44032-C2-S1-99C	2,474		1,430	
Innovative Education Program Strategies	84.298	44032-C2-S1-99	0		1,205	
Innovative Education Program Strategies	84.298	44032-C2-S1-00	17,621		14,361	
Total Innovative Educational Program Strategies			20,095		16,996	
Class Size Reduction	84.340	44032-CR-S1-00	75,524		53,908	
Total U. S. Department of Education			968,189		942,478	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System Program	93.778	N/A	52,609		52,609	
Total Federal Financial Assistance			\$1,301,944	\$42,072	\$1,243,716	\$45,420

(A) The Food Distribution Program is a noncash, in kind, federal grant. Commodities are valued at fair market prices.
 (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (C) This schedule was prepared on the cash basis of accounting.

(D) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (E) Included as part of "Special Education Cluster" in determining major programs.
 (F) Passed through the Gallia County.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Accounting Standards*

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

We have audited the general purpose financial statements of Gallipolis City School District as of and for the year ended June 30, 2000, and have issued our report thereon dated December 5, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gallipolis City School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Board of Education
Gallipolis City School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gallipolis City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Gallipolis City School District in a separate letter dated December 5, 2000.

This report is intended for the information and use of the management and Board of Education of the Gallipolis City School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
December 5, 2000

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Report on Compliance With Requirements Applicable to Its Major Federal Programs And Internal Control Over Compliance in Accordance With *OMB Circular A-133*

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

Compliance

We have audited the compliance of Gallipolis City School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2000. Gallipolis City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Gallipolis City School District's management. Our responsibility is to express an opinion on Gallipolis City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Gallipolis City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gallipolis City School District's compliance with those requirements.

Board of Education
Gallipolis City School District

In our opinion, Gallipolis City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of Gallipolis City School District in a separate letter dated December 5, 2000.

Internal Control Over Compliance

The management of Gallipolis City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gallipolis City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of Gallipolis City School District in a separate letter dated December 5, 2000.

This report is intended for the information and use of management, the Board of Education of Gallipolis City School District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
December 5, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I, CFDA #84.010; Goals 2000, CFDA #84.276.
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i><u>Explain:</u></i>
1999-44032-001	Internal Controls-Reportable Condition: Upon receipt of income verification documentation, the Food Service Supervisor was not recalculating and agreeing amounts to the initial application or determining if students status should be changed from free, reduced and or paid to another.	Yes	Finding No Longer Valid



STATE OF OHIO
OFFICE OF THE AUDITOR

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GALLIPOLIS CITY SCHOOL DISTRICT

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2001**