

**Gallipolis City School District**

**Gallipolis, Ohio**

**Basic Financial Statements**

Single Audit

July 1, 2007 Through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

**BALESTRA, HARR & SCHERER**

CERTIFIED PUBLIC ACCOUNTANTS

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Gallipolis City School District, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 17, 2009

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Gallipolis City School District  
Gallipolis, Ohio  
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Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

Members of the Board  
Gallipolis City School District  
61 State Street  
Gallipolis, Ohio 45631

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District (the School District), Gallia County, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on internal control over financial reporting or on compliance, that report describes the scope over testing of the internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board  
Gallipolis City School District  
Independent Accountants' Report  
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 13, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The discussion and analysis of the Gallipolis City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$18,580,575 which represents a 70.37% increase from 2007.
- General revenues accounted for \$36,409,231 in revenue or 85.68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,087,631 or 14.32% of total revenues of \$42,496,862.
- The District had \$23,916,287 in expenses related to governmental activities; only \$6,087,631 was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$36,409,231 were adequate to provide for these programs.
- The District's had three major governmental funds during fiscal 2008. The general fund had \$17,050,593 in revenues and \$17,536,097 in expenditures and other financing uses. During fiscal 2008, the general fund's fund balance decreased \$433,149 from \$331,118 to a deficit of \$102,031.
- The bond retirement fund had \$1,691,811 in revenues and \$1,629,458 in expenditures. During fiscal 2008, the bond retirement fund's fund balance increased \$62,353 from \$595,914 to \$658,267.
- The classroom facilities fund had \$18,613,712 in revenues and other financing sources and \$6,690,502 in expenditures. During fiscal 2008, the classroom facilities fund's fund balance increased \$11,923,210 from \$14,284,976 to \$26,208,186.

**Using the Basic Financial Statements**

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

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007. Certain amounts for 2007 have been adjusted to conform to 2008 presentation.

	<b>Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 63,895,519	\$ 55,468,617
Capital assets, net	<u>16,960,841</u>	<u>7,590,754</u>
Total assets	<u>80,856,360</u>	<u>63,059,371</u>
<b><u>Liabilities</u></b>		
Current liabilities	9,844,310	9,993,526
Long-term liabilities	<u>26,028,824</u>	<u>26,663,194</u>
Total liabilities	<u>35,873,134</u>	<u>36,656,720</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	16,130,320	7,920,754
Restricted	30,552,849	19,651,147
Unrestricted	<u>(1,699,943)</u>	<u>(1,169,250)</u>
Total net assets	<u>\$ 44,983,226</u>	<u>\$ 26,402,651</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$44,983,226. At year-end, restricted net assets were \$30,552,849.

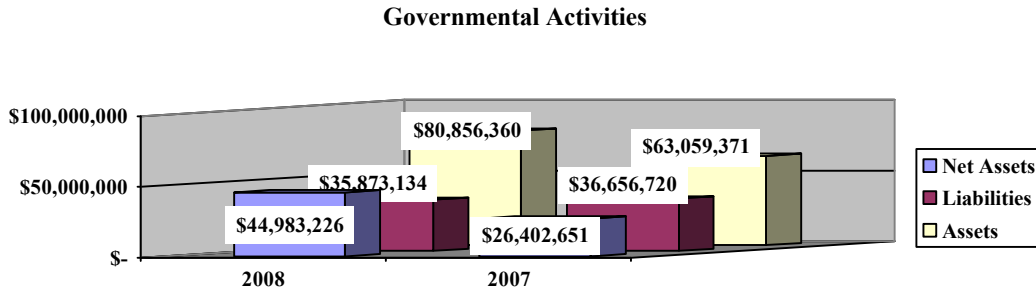
At year-end, capital assets represented 20.98% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Total net assets invested in capital assets, net of related debt at June 30, 2008 were \$16,130,320. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$30,552,849, represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets is \$1,699,943.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below illustrates the District's total assets, liabilities and net assets at June 30, 2008 and 2007.



The table below shows the change in net assets for fiscal years 2008 and 2007.

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,887,073	\$ 1,104,292
Operating grants and contributions	4,171,787	4,045,011
Capital grants and contributions	28,771	18,607
General revenues:		
Property taxes	6,164,293	6,781,837
Grants and entitlements not restricted to specific programs	28,105,763	10,708,087
Investment earnings	1,728,826	2,300,037
Other	<u>410,349</u>	<u>380,449</u>
Total revenues	<u>\$ 42,496,862</u>	<u>\$ 25,338,320</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Change in Net Assets**

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 9,234,160	\$ 9,220,541
Special	3,320,989	3,430,381
Vocational	135,892	340,079
Other	972,926	-
Support services:		
Pupil	1,056,619	1,013,111
Instructional staff	1,313,206	1,227,011
Board of education	30,226	50,107
Administration	1,763,419	1,761,293
Fiscal	469,261	415,933
Operations and maintenance	1,489,514	1,465,663
Pupil transportation	1,523,657	1,548,746
Central	148,434	102,410
Operations of non-instructional services	-	26
Food service operations	787,363	719,272
Extracurricular activities	567,584	614,874
Interest and fiscal charges	<u>1,103,037</u>	<u>883,222</u>
Total expenses	<u>23,916,287</u>	<u>22,792,669</u>
Change in net assets	18,580,575	2,545,651
Net assets at beginning of year	<u>26,402,651</u>	<u>23,857,000</u>
Net assets at end of year	<u>\$ 44,983,226</u>	<u>\$ 26,402,651</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$18,580,575. Total governmental expenses of \$23,916,287 were offset by program revenues of \$6,087,631 and general revenues of \$36,409,231. Program revenues supported 25.45% of the total governmental expenses.

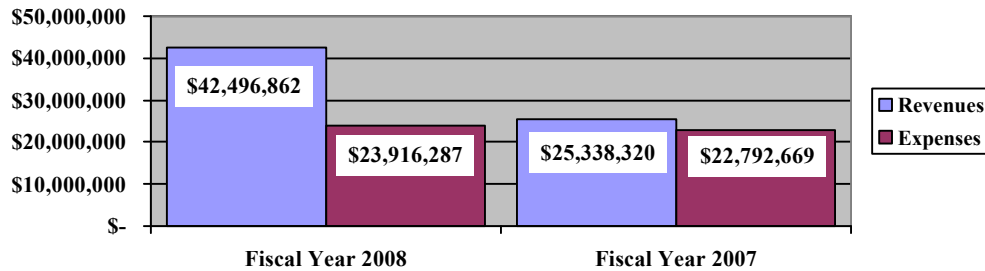
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 80.64% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 9,234,160	\$ 6,386,251	\$ 9,220,541	\$ 7,087,520
Special	3,320,989	2,383,105	3,430,381	2,437,565
Vocational	135,892	135,892	340,079	340,079
Other	972,926	792,389	-	-
Support services:				
Pupil	1,056,619	941,980	1,013,111	928,891
Instructional staff	1,313,206	495,216	1,227,011	420,605
Board of education	30,226	30,226	50,107	50,107
Administration	1,763,419	1,722,443	1,761,293	1,717,716
Fiscal	469,261	395,259	415,933	359,469
Operations and maintenance	1,489,514	1,477,046	1,465,663	1,465,034
Pupil transportation	1,523,657	1,414,089	1,548,746	1,440,474
Central	148,434	140,328	102,410	89,937
Operations of non-instructional services	-	-	26	26
Food service operations	787,363	46,076	719,272	(22,669)
Extracurricular activities	567,584	365,319	614,874	426,783
Interest and fiscal charges	1,103,037	1,103,037	883,222	883,222
<b>Total expenses</b>	<b>\$ 23,916,287</b>	<b>\$ 17,828,656</b>	<b>\$ 22,792,669</b>	<b>\$ 17,624,759</b>

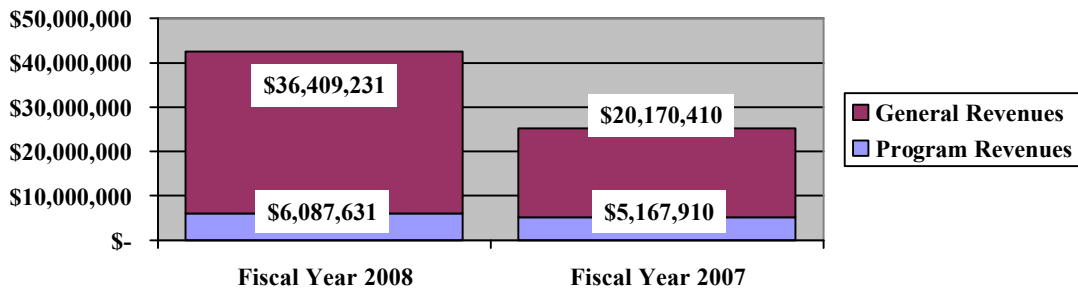
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 70.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.11%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$33,924,536, which is higher than last year's total of \$33,474,513. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance (deficit) <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase (Decrease)
General	\$ (102,031)	\$ 331,118	\$ (433,149)
Bond retirement	658,267	595,914	62,353
Classroom facilities	26,208,186	14,284,976	11,923,210
Other Governmental	<u>7,160,114</u>	<u>18,262,505</u>	<u>(11,102,391)</u>
Total	<u>\$ 33,924,536</u>	<u>\$ 33,474,513</u>	<u>\$ 450,023</u>

**General Fund**

The District's general fund balance decreased \$433,149. The decrease in fund balance can be attributed to increasing revenues and expenditures. The general fund also transferred \$100,000 to other governmental funds. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,467,200	\$ 4,752,862	(6.01) %
Transportation fees	86,378	63,971	35.03 %
Tuition	1,241,528	451,305	175.10 %
Earnings on investments	154,087	254,278	(39.40) %
Intergovernmental	10,913,875	10,557,263	3.38 %
Other revenues	<u>187,525</u>	<u>267,992</u>	(30.03) %
Total	<u>\$ 17,050,593</u>	<u>\$ 16,347,671</u>	4.30 %
<b><u>Expenditures</u></b>			
Instruction	\$ 10,717,632	\$ 10,058,524	6.55 %
Support services	6,394,102	6,443,401	(0.77) %
Extracurricular activities	316,833	382,114	(17.08) %
Facilities acquisition and construction	<u>7,530</u>	<u>17,110</u>	(55.99) %
Total	<u>\$ 17,436,097</u>	<u>\$ 16,901,149</u>	3.17 %

***Bond Retirement Fund***

The bond retirement fund had \$1,691,811 in revenues and \$1,629,458 in expenditures. During fiscal 2008, the bond retirement fund's fund balance increased \$62,353 from \$595,914 to \$658,267.

***Classroom Facilities Fund***

The Classroom facilities fund had \$18,613,712 in revenues and other financing sources and \$6,690,502 in expenditures. During fiscal 2008, the classroom facilities fund's fund balance increased \$11,923,210 from \$14,284,976 to \$26,208,186.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2008, the District amended its general fund budget revenues. For the general fund, original budget revenues and other financing sources were \$15,900,000, which was lower than the final budget revenues and other financing sources of \$17,100,000. For fiscal 2008, actual revenues and other financing sources were \$17,574,233. This represents a \$474,233 increase over final budgeted revenues.

General fund original budget expenditures and other financing uses (original appropriations plus prior year encumbrances appropriated) totaled \$16,487,807. Final budget expenditures and other financing uses (final appropriations plus prior year encumbrances appropriated) totaled \$18,047,094. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$18,222,325, which was \$175,231 more than the final budget expenditures and other financing uses as a result of advances out of \$191,573, which are not budgeted.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2008, the District had \$16,960,841 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 986,120	\$ 986,120
Construction in progress	13,700,804	4,111,553
Land improvements	436,510	480,255
Building and improvements	785,599	833,694
Furniture and equipment	377,416	468,248
Vehicles	<u>674,392</u>	<u>710,884</u>
<b>Total</b>	<b><u>\$ 16,960,841</u></b>	<b><u>\$ 7,590,754</u></b>

The overall increase in capital assets of \$9,370,087 is primarily due to capital outlays of \$9,742,105 exceeding depreciation expense of \$372,018 in fiscal 2008.

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

***Debt Administration***

At June 30, 2008 the District had \$24,200,000 in general obligation bonds outstanding. Of this total, \$540,000 is due within one year and \$23,660,000 is due within greater than one year. The following table summarizes the bonds outstanding.

	<b>Outstanding Debt, at Year End</b>	
	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
General obligation bonds	<u>\$ 24,200,000</u>	<u>\$ 24,670,000</u>
<b>Total</b>	<b><u>\$ 24,200,000</u></b>	<b><u>\$ 24,670,000</u></b>

See Note 9 to the basic financial statements for additional information on the District's debt administration.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Current Financial Related Activities**

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

A challenge that has faced the District is the need to update its facilities to enhance learning space design for students. The Board is working with the Ohio School Facilities Commission (OSFC) and on May 27, 2005 the district was approved to participate in the Exceptional Needs Program. The scope of the project is to build one new high school to house grades 9-12; renovation to the 1976 sections of the current Gallia Academy High School to house grades 6-8; and allowances to abate/demolish the 1916 sections of Gallia Academy High School. The state will provide 64% of the funding or \$27,925,959.

On July 26, 2007 the district was approved for funding through the OSFC Classroom Facilities Assistance Program to move forward with renovating Washington Elementary and build new buildings for Green and Rio Grande Elementaries. The state will provide 66% of the funding or \$17,010,726. To provide the local funds necessary to support these projects a 7.2 mill bond issue was passed by the local taxpayers on November 8, 2005 by an unprecedented 71% passage rate. Also passed was a 1.5 mill permanent improvement levy.

The new Gallia Academy High School is scheduled to open September 2009. Early site work has been completed on the purchased property for the new Rio Grande Elementary and the scheduled completion date for occupancy is May 2010. The renovation of Washington Elementary is scheduled for completion during the summer of 2010 along with the completion of the new Green Elementary in September 2010.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 10,817,815
Investments . . . . .	25,323,267
Receivables:	
Taxes . . . . .	7,497,838
Intergovernmental . . . . .	19,575,643
Accrued interest . . . . .	216,898
Prepayments . . . . .	45,102
Materials and supplies inventory . . . . .	140,866
Unamortized bond issue costs . . . . .	278,090
Capital assets:	
Land and construction in progress . . . . .	14,686,924
Depreciable capital assets, net . . . . .	2,273,917
Total capital assets, net. . . . .	16,960,841
 Total assets. . . . .	 80,856,360
 <b>Liabilities:</b>	
Accounts payable. . . . .	209,081
Contracts payable. . . . .	574,432
Accrued wages and benefits . . . . .	1,446,709
Pension obligation payable. . . . .	418,267
Intergovernmental payable . . . . .	338,072
Unearned revenue . . . . .	6,771,930
Accrued interest payable . . . . .	85,819
Long-term liabilities:	
Due within one year. . . . .	617,883
Due within more than one year . . . . .	25,410,941
Total long-term liabilities. . . . .	25,410,941
 Total liabilities . . . . .	 35,873,134
 <b>Net Assets:</b>	
Invested in capital assets, net	
of related debt . . . . .	16,130,320
Restricted for:	
Capital projects . . . . .	28,554,165
Debt service. . . . .	691,735
Classroom facilities and maintenance. . . . .	304,002
Locally funded programs . . . . .	23,572
State funded programs . . . . .	180,924
Federally funded programs . . . . .	22,107
Student activities . . . . .	55,410
Other purposes . . . . .	720,934
Unrestricted (deficit) . . . . .	(1,699,943)
 Total net assets . . . . .	 \$ 44,983,226

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 9,234,160	\$ 1,277,365	\$ 1,570,544	\$ -	\$ (6,386,251)
Special . . . . .	3,320,989	-	937,884	-	(2,383,105)
Vocational . . . . .	135,892	-	-	-	(135,892)
Other . . . . .	972,926	-	180,537	-	(792,389)
Support services:					
Pupil . . . . .	1,056,619	-	114,639	-	(941,980)
Instructional staff . . . . .	1,313,206	65,687	752,303	-	(495,216)
Board of education. . . . .	30,226	-	-	-	(30,226)
Administration . . . . .	1,763,419	-	40,976	-	(1,722,443)
Fiscal. . . . .	469,261	-	56,817	17,185	(395,259)
Operations and maintenance . . . . .	1,489,514	-	882	11,586	(1,477,046)
Pupil transportation . . . . .	1,523,657	86,378	23,190	-	(1,414,089)
Central. . . . .	148,434	-	8,106	-	(140,328)
Operation of non-instructional services:					
Food service operations . . . . .	787,363	279,335	461,952	-	(46,076)
Extracurricular activities . . . . .	567,584	178,308	23,957	-	(365,319)
Interest and fiscal charges . . . . .	1,103,037	-	-	-	(1,103,037)
<b>Total governmental activities . . . . .</b>	<b>\$ 23,916,287</b>	<b>\$ 1,887,073</b>	<b>\$ 4,171,787</b>	<b>\$ 28,771</b>	<b>(17,828,656)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					4,417,103
Special revenue . . . . .					32,663
Debt service. . . . .					1,460,727
Capital projects . . . . .					253,800
Grants and entitlements not restricted to specific programs. . . . .					
Investment earnings . . . . .					28,105,763
Miscellaneous . . . . .					1,728,826
					410,349
<b>Total general revenues . . . . .</b>					<b>36,409,231</b>
Change in net assets . . . . .					18,580,575
<b>Net assets at beginning of year . . . . .</b>					<b>26,402,651</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 44,983,226</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 672,372	\$ 624,105	\$ 4,749,049	\$ 4,102,249	\$ 10,147,775
Investments . . . . .	-	-	21,712,169	3,611,098	25,323,267
Receivables:					
Taxes . . . . .	5,477,985	1,637,965	-	381,888	7,497,838
Intergovernmental . . . . .	-	-	19,304,748	270,895	19,575,643
Accrued interest . . . . .	-	-	185,968	30,930	216,898
Interfund loans . . . . .	191,573	-	-	-	191,573
Prepayments . . . . .	32,337	-	-	12,765	45,102
Materials and supplies inventory . . . . .	105,546	-	-	35,320	140,866
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	670,040	-	-	-	670,040
<b>Total assets . . . . .</b>	<b>\$ 7,149,853</b>	<b>\$ 2,262,070</b>	<b>\$ 45,951,934</b>	<b>\$ 8,445,145</b>	<b>\$ 63,809,002</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 114,119	\$ -	\$ -	\$ 94,962	\$ 209,081
Contracts payable . . . . .	-	-	432,235	142,197	574,432
Accrued wages and benefits . . . . .	1,141,374	-	-	305,335	1,446,709
Compensated absences payable . . . . .	-	-	-	8,455	8,455
Pension obligation payable . . . . .	329,980	-	-	88,287	418,267
Intergovernmental payable . . . . .	325,945	1,649	-	10,478	338,072
Interfund loans payable . . . . .	-	-	-	191,573	191,573
Deferred revenue . . . . .	397,568	119,287	19,311,513	97,579	19,925,947
Unearned revenue . . . . .	4,942,898	1,482,867	-	346,165	6,771,930
<b>Total liabilities . . . . .</b>	<b>7,251,884</b>	<b>1,603,803</b>	<b>19,743,748</b>	<b>1,285,031</b>	<b>29,884,466</b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	72,511	-	13,726,137	1,805,967	15,604,615
Reserved for materials and supplies inventory . . . . .	105,546	-	-	35,163	140,709
Reserved for prepayments . . . . .	32,337	-	-	12,922	45,259
Reserved for debt service . . . . .	-	641,134	-	-	641,134
Reserved for property tax unavailable for appropriation . . . . .	57,102	17,133	-	3,998	78,233
Reserved for instructional materials . . . . .	670,040	-	-	-	670,040
Unreserved, undesignated (deficit) reported in:					
General fund . . . . .	(1,039,567)	-	-	-	(1,039,567)
Special revenue funds . . . . .	-	-	-	518,143	518,143
Capital projects funds . . . . .	-	-	12,482,049	4,783,921	17,265,970
<b>Total fund balances (deficit) . . . . .</b>	<b>(102,031)</b>	<b>658,267</b>	<b>26,208,186</b>	<b>7,160,114</b>	<b>33,924,536</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 7,149,853</b>	<b>\$ 2,262,070</b>	<b>\$ 45,951,934</b>	<b>\$ 8,445,145</b>	<b>\$ 63,809,002</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		<b>\$ 33,924,536</b>
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,960,841
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 544,689	
Intergovernmental revenue	19,254,229	
Accrued interest	<u>127,029</u>	
Total		19,925,947
Unamortized bond issuance costs are not recognized in the funds.		278,090
Unamortized premiums on bond issuances are not recognized in the funds.		(320,578)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,499,791	
General obligation bonds payable	24,200,000	
Accrued interest payable	<u>85,819</u>	
Total		<u>(25,785,610)</u>
<b>Net assets of governmental activities</b>		<b>\$ <u><u>44,983,226</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 4,467,200	\$ 1,491,369	\$ -	\$ 285,481	\$ 6,244,050
Tuition . . . . .	1,241,528	-	-	-	1,241,528
Transportation fees . . . . .	86,378	-	-	-	86,378
Earnings on investments . . . . .	154,087	19,280	1,181,917	508,888	1,864,172
Charges for services . . . . .	-	-	-	332,429	332,429
Extracurricular . . . . .	-	-	-	191,051	191,051
Classroom materials and fees . . . . .	-	-	-	35,687	35,687
Other local revenues . . . . .	187,525	-	-	222,824	410,349
Intergovernmental - state . . . . .	10,913,875	181,162	8,488,534	1,984,398	21,567,969
Intergovernmental - federal . . . . .	-	-	-	2,232,634	2,232,634
Total revenue . . . . .	<u>17,050,593</u>	<u>1,691,811</u>	<u>9,670,451</u>	<u>5,793,392</u>	<u>34,206,247</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	7,389,446	-	-	1,716,364	9,105,810
Special . . . . .	2,429,737	-	-	861,763	3,291,500
Vocational . . . . .	135,353	-	-	-	135,353
Other . . . . .	763,096	-	-	181,237	944,333
Support services:					
Pupil . . . . .	892,778	-	-	112,976	1,005,754
Instructional staff . . . . .	486,994	-	150	812,744	1,299,888
Board of education . . . . .	29,875	-	-	-	29,875
Administration . . . . .	1,634,691	-	-	65,983	1,700,674
Fiscal . . . . .	399,145	53,494	-	13,320	465,959
Operations and maintenance . . . . .	1,370,101	-	79,454	30,597	1,480,152
Pupil transportation . . . . .	1,448,729	-	-	29,741	1,478,470
Central . . . . .	131,789	-	4,200	9,975	145,964
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	775,250	775,250
Extracurricular activities . . . . .	316,833	-	-	208,374	525,207
Facilities acquisition and construction . . . . .	7,530	-	6,606,698	3,245,395	9,859,623
Debt service:					
Principal retirement . . . . .	-	470,000	-	-	470,000
Interest and fiscal charges . . . . .	-	1,105,964	-	-	1,105,964
Total expenditures . . . . .	<u>17,436,097</u>	<u>1,629,458</u>	<u>6,690,502</u>	<u>8,063,719</u>	<u>33,819,776</u>
Excess of revenues over (under) expenditures . . . . .	<u>(385,504)</u>	<u>62,353</u>	<u>2,979,949</u>	<u>(2,270,327)</u>	<u>386,471</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	8,943,261	100,000	9,043,261
Transfers (out) . . . . .	(100,000)	-	-	(8,943,261)	(9,043,261)
Total other financing sources (uses) . . . . .	<u>(100,000)</u>	<u>-</u>	<u>8,943,261</u>	<u>(8,843,261)</u>	<u>-</u>
Net change in fund balances . . . . .	(485,504)	62,353	11,923,210	(11,113,588)	386,471
<b>Fund balance at beginning of year . . . . .</b>	<b>331,118</b>	<b>595,914</b>	<b>14,284,976</b>	<b>18,262,505</b>	<b>33,474,513</b>
<b>Increase</b>					
<b>in reserve for inventory . . . . .</b>	<b>52,355</b>	<b>-</b>	<b>-</b>	<b>11,197</b>	<b>63,552</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b><u>\$ (102,031)</u></b>	<b><u>\$ 658,267</u></b>	<b><u>\$ 26,208,186</u></b>	<b><u>\$ 7,160,114</u></b>	<b><u>\$ 33,924,536</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances - total governmental funds</b>	\$	386,471
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$9,742,105) exceeds depreciation expense (\$372,018) in the current period.		9,370,087
Governmental funds report expenditures for inventory when purchased. However, on the statement of activities, they are reported as an expense when consumed.		63,552
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		8,290,615
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		470,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The following resulted in additional interest being reported on the statement of activities:		
Increase in accrued interest payable	1,255	
Amortization of bond issuance costs	(10,941)	
Amortization on bond premiums	12,613	
Total	2,927	
Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(3,077)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>18,580,575</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,241,491	\$ 4,561,604	\$ 4,688,111	\$ 126,507
Tuition. . . . .	1,123,252	1,208,026	1,241,528	33,502
Transportation fees. . . . .	78,149	84,047	86,378	2,331
Earnings on investments. . . . .	139,408	149,929	154,087	4,158
Other local revenues. . . . .	73,120	78,638	80,819	2,181
Intergovernmental - state . . . . .	10,075,701	10,836,131	11,136,648	300,517
Total revenue . . . . .	<u>15,731,121</u>	<u>16,918,375</u>	<u>17,387,571</u>	<u>469,196</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,967,528	7,626,462	7,619,557	6,905
Special. . . . .	2,251,051	2,463,938	2,461,707	2,231
Vocational. . . . .	159,853	174,971	174,813	158
Other. . . . .	704,230	770,830	770,132	698
Support services:				
Pupil. . . . .	837,977	917,226	916,395	831
Instructional staff . . . . .	440,677	482,353	481,916	437
Board of education . . . . .	29,105	31,857	31,828	29
Administration. . . . .	1,546,819	1,693,105	1,691,572	1,533
Fiscal . . . . .	359,165	393,132	392,776	356
Operations and maintenance. . . . .	1,261,335	1,380,622	1,379,372	1,250
Pupil transportation . . . . .	1,382,734	1,513,502	1,512,131	1,371
Central. . . . .	123,829	135,540	135,417	123
Extracurricular activities. . . . .	325,105	355,851	355,529	322
Facilities acquisition and construction. . . . .	6,956	7,614	7,607	7
Total expenditures . . . . .	<u>16,396,364</u>	<u>17,947,003</u>	<u>17,930,752</u>	<u>16,251</u>
Excess of revenues under expenditures. . . . .	<u>(665,243)</u>	<u>(1,028,628)</u>	<u>(543,181)</u>	<u>485,447</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(91,443)	(100,091)	(100,000)	91
Advances in. . . . .	45,379	48,804	50,157	1,353
Advances (out) . . . . .	-	-	(191,573)	(191,573)
Sale of assets. . . . .	65,405	70,341	72,292	1,951
Refund of prior year expenditure. . . . .	58,095	62,480	64,213	1,733
Total other financing sources (uses) . . . . .	<u>77,436</u>	<u>81,534</u>	<u>(104,911)</u>	<u>(186,445)</u>
Net change in fund balance . . . . .	(587,807)	(947,094)	(648,092)	299,002
<b>Fund balance at beginning of year. . . . .</b>	1,503,080	1,503,080	1,503,080	-
<b>Prior year encumbrances appropriated . . . . .</b>	304,921	304,921	304,921	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,220,194</u>	<u>\$ 860,907</u>	<u>\$ 1,159,909</u>	<u>\$ 299,002</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 23,572	\$ 47,952
Total assets. . . . .	23,572	\$ 47,952
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 107
Intergovernmental payable . . . . .	-	4
Due to students . . . . .	-	47,841
Total liabilities . . . . .	-	\$ 47,952
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	23,572	
Total net assets . . . . .	\$ 23,572	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 572
Gifts and contributions. . . . .	25,000
	25,572
Total additions. . . . .	25,572
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,000
	2,000
Change in net assets . . . . .	23,572
<b>Net assets at beginning of year . . . . .</b>	<b>-</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 23,572</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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 224th largest by enrollment among the 896 public school districts and community schools in the state. It currently operates 3 elementary schools and 1 comprehensive high school. The District employs 179 certified (including 24 administrative) and 95 classified full-time and part-time employees to provide services to approximately 2,312 students in grades K through 12 and various community groups.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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, foods 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 have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*JOINTLY GOVERNED ORGANIZATIONS*

*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 school of the JVS; however, it is considered a separate political subdivision and is not considered to be part of the District.

*South Eastern Ohio Special Education Regional Resource Center (SERRC)* - SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the board. The District's superintendent is on the SERRC board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*GOVERNMENTAL FUNDS*

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

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

*Classroom Facilities Fund* - The classroom facilities fund is used for monies received and expended in connection with contracts entered into by the school district and the Ohio Classroom Facilities Commission for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities, and; (b) for grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statements as an expense with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

1. 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 express 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.
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 original and final Amended Certificate issued for fiscal year 2008.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
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.
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 2008. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
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.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$154,087, which includes \$72,519 assigned from other District funds.

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and the consumption method on the government-wide financial statements.

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintained a capitalization threshold of \$500 during fiscal 2008. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Interfund Balances**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2008 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation, debt service, and instructional materials. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent balances in special revenue funds for grants received which are restricted as to their use by grantors and the amounts for set-asides (see Note 15).

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's restricted net assets of \$30,552,849, none are restricted by enabling legislation.

**N. Prepayments**

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

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside in order to create a reserve for textbooks/instructional materials. See Note 15 for details.

**Q. Interfund Activity**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Governmental Fund</u>	
General	\$ 102,031
<u>Nonmajor Governmental Funds</u>	
Uniform School Supplies	28,674
Emergency Management Information System	22
Title VI-B	7,640

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$10,889,339. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$189,359 of the District's bank balance of \$11,357,313 was covered by the Federal Deposit Insurance Corporation, while \$11,167,954 was collateralized in the manner described below.

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
FFCB	\$ 2,027,500	\$ -	\$ 2,027,500	\$ -
FHLB	11,584,165	10,346,775	1,237,390	-
FHLMC	7,746,489	2,486,750	3,142,240	2,117,499
FNMA	3,923,828	3,923,828	-	-
U.S. Treasury Notes	<u>41,285</u>	<u>41,285</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 25,323,267</u>	<u>\$ 16,798,638</u>	<u>\$ 6,407,130</u>	<u>\$ 2,117,499</u>

The weighted average maturity of investments is 0.41 years.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The District investments are all registered in the name of the District.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 2,027,500	8.01
FHLB	11,584,165	45.75
FHLMC	7,746,489	30.59
FNMA	3,923,828	15.49
U.S. Treasury Notes	41,285	0.16
Total	<u>\$ 25,323,267</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2008:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 10,889,339
Investments	<u>25,323,267</u>
Total	<u>\$ 36,212,606</u>

Cash and investments per statement of net assets

Governmental activities	\$ 36,141,082
Fiduciary funds	<u>71,524</u>
Total	<u>\$ 36,212,606</u>



**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2008 consisted of the following interfund loans receivable and payable, as reported on the fund financial statements:

<u>Interfund loans receivable in the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 191,573

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the statement of net assets at June 30, 2008.

- B. Interfund transfers for the fiscal year ended June 30, 2008 consisted of the following transfers, as reported in the fund financial statements:

	<u>Amount</u>
<u>Transfers from General fund to:</u>	
Nonmajor governmental funds	\$ 100,000
<u>Transfers from nonmajor governmental funds to:</u>	
Classroom Facilities Construction fund	<u>8,943,261</u>
Total	<u>\$ 9,043,261</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Gallia County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2008 are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$57,102 in the General fund, \$17,133 in the Bond Retirement debt service fund, \$2,652 in the Permanent Improvement capital projects fund (a nonmajor governmental fund), and \$1,346 in the Classroom Facilities Maintenance special revenue fund (a nonmajor governmental fund). The amount available as an advance at June 30, 2007 was \$255,381 in the General fund, \$85,531 in the Bond Retirement debt service fund (a nonmajor governmental fund), \$10,224 in the Permanent Improvement capital projects fund (a nonmajor governmental fund), and \$5,094 in the Classroom Facilities Maintenance special revenue fund (a nonmajor governmental fund).

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 202,995,520	86.50	\$ 209,302,230	92.68
Public Utility Personal	11,865,520	5.05	9,800,850	4.34
Tangible Personal Property	<u>19,845,300</u>	<u>8.45</u>	<u>6,726,766</u>	<u>2.98</u>
Total	<u>\$ 234,706,340</u>	<u>100.00</u>	<u>\$ 225,829,846</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General operations	\$ 31.00		\$ 31.00	
Bond retirement	7.20		7.20	
Permanent improvements	1.50		1.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities**

Taxes	\$ 7,497,838
Intergovernmental	19,575,643
Accrued interest	<u>216,898</u>
Total	<u>\$ 27,290,379</u>

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

<b><u>Governmental Activities</u></b>	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 986,120	\$ -	\$ -	\$ 986,120
Construction-in-progress	<u>4,111,553</u>	<u>9,589,251</u>	<u>-</u>	<u>13,700,804</u>
<i>Total capital assets, not being depreciated</i>	<u>5,097,673</u>	<u>9,589,251</u>	<u>-</u>	<u>14,686,924</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,431,619	-	-	1,431,619
Buildings and improvements	4,792,633	-	-	4,792,633
Equipment and furniture	1,918,363	15,750	-	1,934,113
Vehicles	<u>2,181,159</u>	<u>137,104</u>	<u>-</u>	<u>2,318,263</u>
<i>Total capital assets, being depreciated</i>	<u>10,323,774</u>	<u>152,854</u>	<u>-</u>	<u>10,476,628</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(951,364)	(43,745)	-	(995,109)
Buildings and improvements	(3,958,939)	(48,095)	-	(4,007,034)
Equipment and furniture	(1,450,115)	(106,582)	-	(1,556,697)
Vehicles	<u>(1,470,275)</u>	<u>(173,596)</u>	<u>-</u>	<u>(1,643,871)</u>
<i>Total accumulated depreciation</i>	<u>(7,830,693)</u>	<u>(372,018)</u>	<u>-</u>	<u>(8,202,711)</u>
Total capital assets, net	<u>\$ 7,590,754</u>	<u>\$ 9,370,087</u>	<u>\$ -</u>	<u>\$ 16,960,841</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 72,282
Special	26,880
<u>Support Services:</u>	
Pupil	5,774
Instructional staff	5,371
Administration	10,847
Operations and maintenance	31,040
Pupil transportation	172,315
Central	599
Extracurricular activities	36,558
Food service operations	<u>10,352</u>
Total depreciation expense	<u>\$ 372,018</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

<u>Governmental Activities</u>	<u>Balance 6/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/08</u>	<u>Amounts Due In One Year</u>
General obligation bonds	\$ 24,670,000	\$ -	\$ (470,000)	\$ 24,200,000	\$ 540,000
Compensated absences	<u>1,660,003</u>	<u>119,553</u>	<u>(271,310)</u>	<u>1,508,246</u>	<u>77,883</u>
Total	<u>\$ 26,330,003</u>	<u>\$ 119,553</u>	<u>\$ (741,310)</u>	\$ 25,708,246	<u>\$ 617,883</u>
Unamortized premium				<u>320,578</u>	
Total on statement of net assets				<u>\$ 26,028,824</u>	

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

- B. During fiscal 2006, the District issued general obligation bonds to provide long-term financing of the construction and renovation of various school buildings in accordance with the terms of a Facilities grant from the Ohio Schools Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of four new kindergarten through eight grade buildings and a new high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 7.20 mill bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2008, the total estimated cost of the Construction Project is \$27,925,959, of which OSFC will pay approximately \$17,872,614.

The Classroom Facilities Commission has also approved funding of \$17,010,726 for elementary school construction projects.

This issue is comprised of current interest bonds, par value \$25,000,000. The interest rates on the current interest bonds range from 4.00% to 5.00%.

Interest payments on the current interest bonds are due on December 1 of each year. The final maturity stated in the issue is December 1, 2033.

The following is a summary of the future debt service requirements to maturity for the 2006 series general obligation bonds:

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended <u>June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 540,000	\$ 1,028,940	\$ 1,568,940
2010	540,000	1,080,140	1,620,140
2011	565,000	1,058,540	1,623,540
2012	585,000	1,035,940	1,620,940
2013 - 2017	3,305,000	4,808,700	8,113,700
2018 - 2022	4,105,000	4,003,552	8,108,552
2023 - 2027	5,135,000	2,975,850	8,110,850
2028 - 2032	6,460,000	1,647,875	8,107,875
2033 - 2034	2,965,000	276,325	3,241,325
Total	<u>\$ 24,200,000</u>	<u>\$ 17,915,862</u>	<u>\$ 42,115,862</u>

**C. Legal Debt Margins**

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

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

In accordance with the above calculations, as of June 30, 2008, the District has exceeded the legal voted debt margin by \$4,704,532, the legal unvoted debt margin was \$209,302, and the legal energy conservation debt margin was \$1,883,720.

**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 2008, the District purchased general liability insurance through the Schools Of Ohio Risk Sharing Authority (SORSA), which carried a \$1 million per occurrence/\$7 million annual aggregate limitation.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. Liability insurance coverage was reduced from \$2 million per occurrence/\$5 million annual aggregation in 2002. There has been no significant reduction in coverage from the prior year.

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

*OSBA WORKERS' COMPENSATION GROUP RATING PROGRAM*

For fiscal year 2008, 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.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$208,350, \$201,104, and \$205,814, respectively; 50.71 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,338,328, \$1,279,735, and \$1,284,584, respectively; 84.22 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$16,426 made by the District and \$25,537 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$126,936, \$97,480, and \$102,538, respectively; 50.71 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$15,012, \$13,675, and \$16,381, respectively; 50.71 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$102,948, \$98,441, and \$98,814, respectively; 84.22 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (648,092)
Net adjustment for revenue accruals	(336,978)
Net adjustment for expenditure accruals	312,152
Net adjustment for other financing sources/uses	4,911
Adjustment for encumbrances	182,503
GAAP basis	<u>\$ (485,504)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 14 - CONTINGENCIES**

**Grants**

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

**NOTE 15 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by State statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>BWC Refunds</u>	<u>Budget Stabilization</u>
Set-aside balance at June 30, 2007	\$ 618,823	\$ -	\$ 74,921	\$ 15,718
Current year set-aside requirement	352,572	352,572	-	-
Current year offsets:				
Principal portion of bond levy	-	(470,000)	-	-
Permanent improvement levy	-	(260,074)	-	-
Current year qualifying expenditures	<u>(301,355)</u>	<u>(62,359)</u>	<u>(74,921)</u>	<u>(15,718)</u>
Set-aside balance at June 30, 2008	<u>\$ 670,040</u>	<u>\$ (439,861)</u>	<u>\$ -</u>	<u>\$ -</u>
Balance carried forward to FY 2009	<u>\$ 670,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Board of Education transferred the remaining funds from the BWC Refunds and Budget Stabilization into the General Fund.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for instructional materials	<u>\$ 670,040</u>
Total restricted assets	<u>\$ 670,040</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 2008, the District was obligated for the following contracts:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Payments as of 6/30/08</u>	<u>Contract Balance at 6/30/08</u>
BBL Construction Services	\$ 453,900	\$ (186,899)	\$ 267,001
J & H Reinforcing & Structural Erectors	1,979,432	(1,754,598)	224,834
Lang Masonry Contractors	3,788,816	(1,688,120)	2,100,696
LEPI Enterprises	136,750	(90,805)	45,945
Mechanical Construction Company	4,726,800	(1,551,212)	3,175,588
Nitro Electric Company	3,789,165	(849,426)	2,939,739
RAME	906,000	(162,112)	743,888
SHP Leading Design	3,021,742	(115,289)	2,906,453
TP Mechanical Contractors	276,859	(67,022)	209,837
Trimat Construction	7,874,910	(3,296,259)	4,578,651
Wasserstrom Co.	<u>459,186</u>	<u>(169,323)</u>	<u>289,863</u>
Total	<u>\$ 27,413,560</u>	<u>\$ (9,931,065)</u>	<u>\$ 17,482,495</u>

Gallipolis City School District  
Gallia County  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU	10.553	\$ 111,900	\$ -	\$ 111,900	\$ -
National School Lunch Program	LLP4	10.555	348,528	-	348,528	-
Total - Nutrition Cluster			460,428	-	460,428	-
Food Distribution Program	NA	10.550	-	31,158	-	31,158
<b>Total United States Department of Agriculture</b>			460,428	31,158	460,428	31,158
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster</i>						
Special Education - Grants to States	6BSF	84.027	682,809	-	661,389	-
Special Education - Preschool Grant	PGS1	84.173	15,391	-	13,943	-
Total Special Education Cluster			698,200	-	675,332	-
<i>Passed through Gallia-Jackson-Vinton Board of Alcohol, Drug Addiction, and Mental Health Services</i>						
State and Drug-Free Schools and Communities - State Grants	NA	84.186	40,583	-	29,800	-
<i>Passed through Ohio Department of Education</i>						
State and Drug-Free Schools and Communities - State Grants	DRS1	84.186	13,527	-	13,514	-
Total Safe and Drug-Free Schools and Communities			54,110	-	43,314	-
Title I Grants to Local Education Agencies	C1S1	84.010	666,909	-	654,737	-
Twenty-First Century Community Learning Centers	T1S1	84.287	225,000	-	215,620	-
State Grants for Innovative Programs	C2S1	84.298	6,388	-	6,388	-
Education Technology State Grants	TJS1	84.318	6,484	-	6,425	-
Rural Education	RUS1	84.358	42,963	-	38,963	-
Improving Teacher Quality State Grants	TRS1	84.367	161,976	-	163,288	-
<b>Total United States Department of Education</b>			1,862,030	-	1,804,067	-
<b>Total Federal Financial Assistance</b>			<b>\$ 2,322,458</b>	<b>\$ 31,158</b>	<b>\$ 2,264,495</b>	<b>\$ 31,158</b>

NA - Not Available

See accompanying notes to the schedule of federal awards expenditures.

Gallipolis City school District  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2008

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the Gallipolis City School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTIONS**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2008, the District had no significant food commodities in inventory.

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
Gallipolis City School District  
61 State Street  
Gallipolis, Ohio 45631

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 13, 2009, in which we indicated that the School District implemented GASB Statements No. 45, No. 48, and No. 50. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding number 2008-001 as described in the accompanying Schedule of Findings and Questioned Costs, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Members of the Board

Gallipolis City School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiency described above, we believe is also a material weakness.

**Compliance and Other Matters**

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

We did note certain instances of noncompliance or other matters that we reported to the management of the School District in a separate letter dated March 13, 2009.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management, the audit committee, members of the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

March 13, 2009



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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
Gallipolis City School District  
61 State Street  
Gallipolis, Ohio 45631

### **Compliance**

We have audited the compliance of the Gallipolis City School District (the 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 program for the year ended June 30, 2008. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### **Internal Control Over Compliance**

The management of the 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 the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance (Continued)**

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirement.

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

We intend this report solely for the information and use of the management, the audit committee, members of the Board, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

March 13, 2009

**GALLIPOLIS CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program' s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**GALLIPOLIS CITY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**  
**(CONTINUED)**

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

**Finding 2008-001**

Material Weakness – Audit Adjustments

Financial statement misstatements were identified during the audit that should have been prevented or detected by the School District’s internal controls over financial reporting. Intergovernmental receivables and related revenues and deferred revenues were understated in the financial statements.

The aforementioned error was the result of a failure in controls over financial reporting and resulted in misstated financial statements. The School District should implement application and monitoring controls over financial reporting to ensure that intergovernmental receivables are accurately and completely stated.

*Client Response:*

This references the OSFC’s ENP and CFAP projects.

For FY09 all state monies for the ENP project will be received within the year and spent by 6/30/09, resulting in no receivables to report at year end.

Regarding the CFAP project, the total state share of \$17,360,448 has been noted in the GAAP report folder for FY09 and discussed with the firm employed to assist the District in preparing the annual financial report.

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

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



**Mary Taylor, CPA**  
Auditor of State

**GALLIPOLIS CITY SCHOOL DISTRICT**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 7, 2009**