



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# Dave Yost • Auditor of State

Board of Education  
Gallipolis City School District  
61 State Street  
Gallipolis, Ohio 4563

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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

April 26, 2012

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**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Members of the Board of Education  
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, Gallia County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the 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 our audit provides a reasonable basis for our opinions.

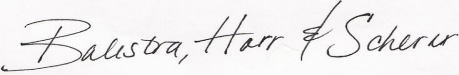
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallipolis City School District, Gallia County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof, and the 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 January 30, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information 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. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

  
Balestra, Harr & Scherer, CPAs, Inc.  
January 30, 2012



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- The District net assets of governmental activities increased \$2,153,901 which represents a 4.02% increase from 2010.
- General revenues accounted for \$19,846,679 in revenue or 72.11% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,674,835 or 27.89% of total revenues of \$27,521,514.
- The District had \$25,367,613 in expenses related to governmental activities; only \$7,674,835 was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,846,679 were adequate to provide for these programs.
- The District had three major governmental funds during fiscal 2011. The general fund had \$18,268,651 in revenues and other financing sources and \$18,720,843 in expenditures. During fiscal 2011, the general fund's deficit fund balance increased \$424,763 from a restated deficit of \$3,370 to a deficit of \$428,133.
- The debt service fund had \$1,722,114 in revenues and \$1,663,412 in expenditures. During fiscal 2011, the debt service fund's fund balance increased \$58,702 from \$821,054 to \$879,756.
- The classroom facilities fund had \$6,400,665 in revenues and \$11,514,948 in expenditures. During fiscal 2011, the classroom facilities fund's fund balance decreased \$5,114,283 from \$11,759,227 to \$6,644,944.

**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, the debt service 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, 2011

**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 2011?" 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 fund 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, debt service 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 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, 2011

***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 22-49 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 2011 and the restated net assets for 2010. See Note 3.C. in the notes to the financial statements for detail on the restatement.

	<b>Net Assets</b>	
	Governmental Activities <u>2011</u>	Restated Governmental Activities <u>2010</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 20,410,739	\$ 32,630,661
Capital assets, net	<u>69,767,177</u>	<u>59,100,283</u>
Total assets	<u>90,177,916</u>	<u>91,730,944</u>
<b><u>Liabilities</u></b>		
Current liabilities	9,932,939	13,071,190
Long-term liabilities	<u>24,493,054</u>	<u>25,061,732</u>
Total liabilities	<u>34,425,993</u>	<u>38,132,922</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	46,859,438	35,614,931
Restricted	10,240,284	19,336,490
Unrestricted (deficit)	<u>(1,347,799)</u>	<u>(1,353,399)</u>
Total net assets	<u>\$ 55,751,923</u>	<u>\$ 53,598,022</u>

The increase in net capital assets is related to the Ohio School Facilities Commission (OSFC) construction project and the corresponding increase in the balance of construction in progress, which is also the reason for the increase in net assets invested in capital assets, net of related debt.

Current and other assets decreased as cash and cash equivalents were used for construction payments related to the OSFC construction project. Current liabilities decreased as there were less contracts and retainage payable at June 30, 2011 than June 30, 2010. This is due to the fact that some construction projects were completed in fiscal year 2011.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$55,751,923. At year-end, restricted net assets were \$10,414,454.

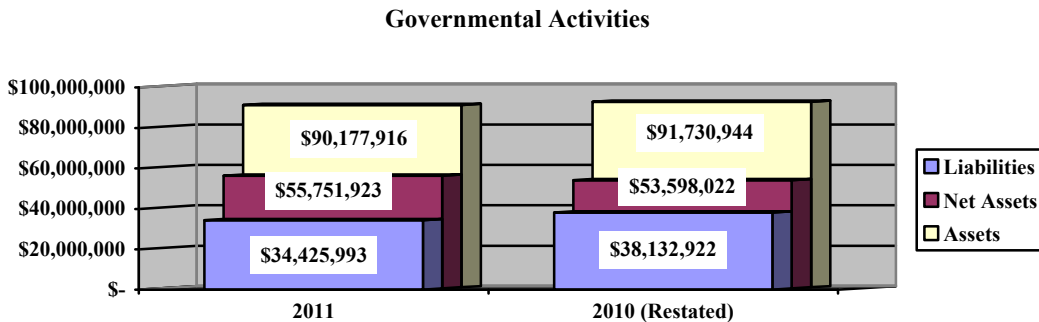
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

At year-end, capital assets represented 77.37% 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, 2011 were \$46,859,438. 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, \$10,240,284, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,347,799.

The graph below illustrates the District's total assets, liabilities and net assets at June 30, 2011 and 2010.



The table below shows the change in net assets for fiscal year 2011 and 2010. The 2010 balance of operating grants and contributions and general revenues – grants and entitlements have been restated to conform to 2011's presentation of Pathway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant and contribution rather than as general revenue.

	<b>Change in Net Assets</b>	
	Governmental Activities 2011	Restated Governmental Activities 2010
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,863,813	\$ 1,935,191
Operating grants and contributions	5,708,772	4,709,643
Capital grants and contributions	102,250	301,697
General revenues:		
Property taxes	6,117,571	6,160,818
Grants and entitlements not restricted to specific programs	11,536,934	11,857,004
Grants and entitlements restricted for Ohio Schools Facilities Commission	1,753,608	5,716,378
Investment earnings	367,195	509,647
Other	71,371	155,352
<b>Total revenues</b>	<b>\$ 27,521,514</b>	<b>\$ 31,345,730</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Change in Net Assets**

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 9,231,281	\$ 9,214,126
Special	3,508,509	3,502,187
Vocational	99,733	94,359
Other	804,637	835,688
Support services:		
Pupil	1,111,360	1,132,120
Instructional staff	1,544,576	1,346,735
Board of education	27,236	25,685
Administration	2,089,637	1,951,214
Fiscal	465,595	440,996
Operations and maintenance	2,093,001	1,797,132
Pupil transportation	1,749,383	1,529,190
Central	143,832	113,530
Operations of non-instructional services:		
Other non-instructional services	-	119
Food service operations	925,041	916,128
Extracurricular activities	530,243	591,562
Interest and fiscal charges	<u>1,043,549</u>	<u>1,065,952</u>
Total expenses	<u>25,367,613</u>	<u>24,556,723</u>
Change in net assets	2,153,901	6,789,007
Net assets at beginning of year (restated)	<u>53,598,022</u>	<u>46,809,015</u>
Net assets at end of year	<u>\$ 55,751,923</u>	<u>\$ 53,598,022</u>

**Governmental Activities**

The decrease in grants and entitlements is the result of a decrease in the amount of grant monies for the OSFC construction project being recognized in fiscal year 2011 compared to 2010. Operating grants and contributions increased primarily due to the recognition of the federal Ed Jobs grant in fiscal year 2011 in the amount of approximately \$675,000. All other revenue and expense amounts remained comparable to fiscal year 2010.

Net assets of the District's governmental activities increased \$2,153,901. Net assets at June 30, 2010 have been restated as described in Note 3.C. to the financial statements due to a reappraisal of the District's capital assets. Total governmental expenses of \$25,367,613 were offset by program revenues of \$7,674,835 and general revenues of \$19,846,679. Program revenues supported 30.25% of the total governmental expenses.

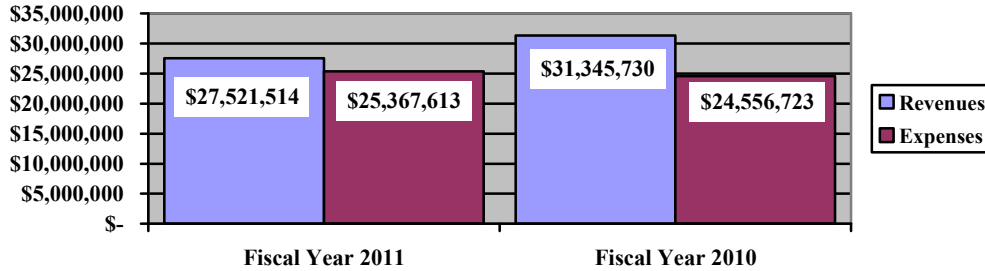
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 70.52% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

**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. The 2010 net cost of services for special instruction has been restated to conform to 2011's presentation of PASS funding from the State of Ohio which is reported as an operating grant and contribution offsetting special instruction.

**Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Restated Net Cost of Services 2010
<b>Program expenses</b>				
Instruction:				
Regular	\$ 9,231,281	\$ 6,950,672	\$ 9,214,126	\$ 7,508,625
Special	3,508,509	1,398,979	3,502,187	1,501,055
Vocational	99,733	69,878	94,359	64,997
Other	804,637	804,637	835,688	835,688
Support services:				
Pupil	1,111,360	1,020,537	1,132,120	1,088,040
Instructional staff	1,544,576	615,742	1,346,735	481,168
Board of education	27,236	27,236	25,685	25,685
Administration	2,089,637	1,440,485	1,951,214	1,357,110
Fiscal	465,595	463,428	440,996	438,090
Operations and maintenance	2,093,001	1,882,736	1,797,132	1,455,056
Pupil transportation	1,749,383	1,515,804	1,529,190	1,311,554
Central	143,832	103,405	113,530	89,126
Operations of non-instructional services:				
Other non-instructional services	-	-	119	119
Food service operations	925,041	53,222	916,128	(1,970)
Extracurricular activities	530,243	302,468	591,562	389,897
Interest and fiscal charges	1,043,549	1,043,549	1,065,952	1,065,952
<b>Total expenses</b>	<u>\$ 25,367,613</u>	<u>\$ 17,692,778</u>	<u>\$ 24,556,723</u>	<u>\$ 17,610,192</u>

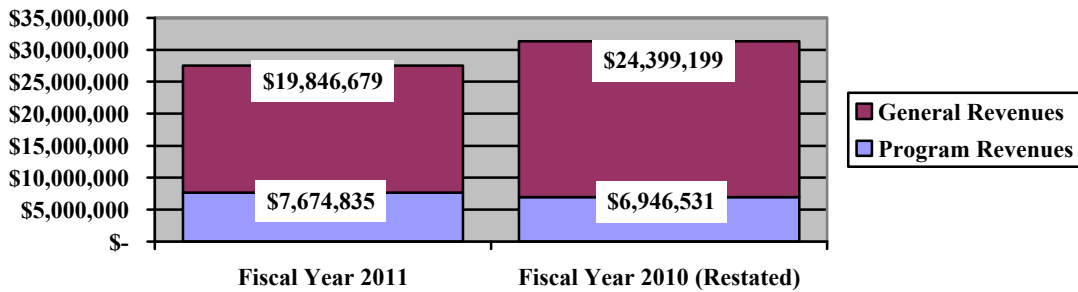
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The dependence upon tax and other general revenues for governmental activities is apparent, 67.61% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.75%. 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 2011 and 2010.

**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 \$8,637,659, which is lower than last year's total of \$14,023,400. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The fund balances at June 30, 2010 have been restated as described in Note 3.B.

	Fund Balance (deficit) June 30, 2011	Restated Fund Balance (deficit) June 30, 2010	Increase (Decrease)
General	\$ (428,133)	\$ (3,370)	\$ (424,763)
Debt service	879,756	821,054	58,702
Classroom facilities	6,644,944	11,759,227	(5,114,283)
Other governmental	<u>1,541,092</u>	<u>1,446,489</u>	<u>94,603</u>
Total	<u>\$ 8,637,659</u>	<u>\$ 14,023,400</u>	<u>\$ (5,385,741)</u>

**General Fund**

The District's general fund deficit balance increased \$424,763. The decrease in fund balance can be attributed to increasing expenditures exceeding decreasing revenues. The only significant decrease in revenues was in the area of intergovernmental which decreased \$359,070, or 2.85%, from the prior year. All other current year revenues are comparable to the revenues of the previous year. Instruction expenditures decreased during the current fiscal year primarily due to a decrease in personnel costs; however, this decrease was offset by an increase in support services expenses. Facilities acquisition and construction costs increased due to an increase in the amount of assets that were bought during the current fiscal year from the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,345,368	\$ 4,437,402	(2.07) %
Transportation fees	94,263	90,688	3.94 %
Tuition	1,237,196	1,240,882	(0.30) %
Earnings on investments	109,751	136,864	(19.81) %
Intergovernmental	12,221,503	12,580,573	(2.85) %
Other revenues	<u>123,875</u>	<u>139,716</u>	(11.34) %
Total	<u>\$ 18,131,956</u>	<u>\$ 18,626,125</u>	(2.65) %
<b><u>Expenditures</u></b>			
Instruction	\$ 11,606,341	\$ 12,045,046	(3.64) %
Support services	6,778,193	6,412,823	5.70 %
Extracurricular activities	310,854	355,567	(12.58) %
Facilities acquisition and construction	<u>25,455</u>	<u>507</u>	4,920.71 %
Total	<u>\$ 18,720,843</u>	<u>\$ 18,813,943</u>	(0.49) %

***Debt Service Fund***

The debt service fund had \$1,722,114 in revenues and \$1,663,412 in expenditures. During fiscal 2011, the debt service fund's fund balance increased \$58,702 from \$821,054 to \$879,756. Revenues in the debt service fund were sufficient to cover all required debt service payments and fiscal expenditures.

***Classroom Facilities Fund***

The classroom facilities fund had \$6,400,665 in revenues and \$11,514,948 in expenditures. During fiscal 2011, the classroom facilities fund's fund balance decreased \$5,114,283 from \$11,759,227 to \$6,644,944. Fund balance will continue to decrease as the District makes capital expenditures on the OSFC construction project.

***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 2011, the District amended its general fund budget revenues. For the general fund, original budget revenues and other financing sources were \$18,425,472, which was higher than the final budget revenues and other financing sources of \$18,291,400. For fiscal 2011, actual revenues and other financing sources were \$18,364,318. This represents a \$72,918 increase over final budgeted revenues.

General fund original budget expenditures and other financing uses (original appropriations plus prior year encumbrances appropriated) totaled \$18,328,384. Final budget expenditures and other financing uses (final appropriations plus prior year encumbrances appropriated) totaled \$19,427,658. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$19,028,486, which was \$399,172 less than the final budget expenditures and other financing uses.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Capital Assets and Debt Administration**

***Capital Assets***

The June 30, 2010 balance of capital assets and related accumulated depreciation have been restated as described in Note 8 due to a reappraisal of the District's capital assets. At the end of fiscal 2011, the District had \$69,767,177 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 the net capital asset balances at June 30, 2011 and June 30, 2010:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2011</u>	(Restated) <u>2010</u>
Land	\$ 1,179,750	\$ 1,236,120
Construction in progress	28,112,000	26,495,989
Land improvements	1,778,603	1,683,669
Building and improvements	37,238,624	27,926,886
Furniture and equipment	964,666	1,125,712
Vehicles	<u>493,534</u>	<u>631,907</u>
<b>Total</b>	<b><u>\$ 69,767,177</u></b>	<b><u>\$ 59,100,283</u></b>

The overall increase in capital assets of \$10,666,894 is primarily due to capital outlays of \$12,293,273 exceeding depreciation expense of \$1,123,768 and current year deletions of \$502,611 (net of accumulated depreciation) in fiscal 2011. Capital outlays relate to the ongoing OSFC construction project.

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

***Debt Administration***

At June 30, 2011 the District had \$22,625,000 in general obligation bonds outstanding. Of this total, \$585,000 is due within one year and \$22,040,000 is due within greater than one year. The following table summarizes the bonds outstanding.

	<b>Outstanding Debt, at Year End</b>	
	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
General obligation bonds	\$ <u>22,625,000</u>	\$ <u>23,190,000</u>
<b>Total</b>	<b><u>\$ 22,625,000</u></b>	<b><u>\$ 23,190,000</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, 2011**

**Current Financial Related Activities**

The District has continued to maintain the highest standards of service to its students, parents and community. The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves and to minimize the levy millage amounts needed from the community's citizens. The District has communicated to its community that they rely upon their support for part of its operations, and will continue to work diligently to plan expenses, staying carefully within the five-year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. The last new operating levy approved by the taxpayers was November 1990. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a 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 has had an ongoing partnership with the Ohio School Facilities Commission (OSFC) since May 2005. Approval to participate in the Exceptional Needs Program provided funding to build a new high school to house grades 9-12 and renovation to the old high school to house grades 6-8. Allowance was also provided to abate/demolish the 1916 section. The State provided 64% of the funding for this project.

The District was approved for funding through OSFC Classroom Facilities Assistance Program on July 26, 2008. This provided funds to renovate Washington Elementary and build new buildings for Green and Rio Grande Elementaries. The State provided 66% of the funding for this project.

The local share funds for the projects came as the result of a 7.2 mill bond issue that was passed on November 8, 2005. Also passed was a 1.5 mill permanent improvement levy. Both issues passed by an unprecedented 71% passage rate.

The new Gallia Academy High School opened in August, 2009. New Green and Rio Grande Elementaries and the renovated Washington Elementary opened August, 2010. The renovation of the old Gallia Academy High School in to a Middle School to house grades 6-8 is scheduled for completion in July, 2012.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's 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.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 9,915,947
Receivables:	
Taxes . . . . .	8,012,761
Accounts . . . . .	53,978
Intergovernmental . . . . .	1,582,107
Loans . . . . .	1,884
Prepayments . . . . .	74,094
Materials and supplies inventory . . . . .	121,128
Unamortized bond issuance costs . . . . .	245,266
Restricted cash and cash equivalents . . . . .	403,574
Capital assets:	
Land and construction in progress . . . . .	29,291,750
Depreciable capital assets, net . . . . .	40,475,427
Capital assets, net . . . . .	<u>69,767,177</u>
 Total assets . . . . .	 <u>90,177,916</u>
 <b>Liabilities:</b>	
Accounts payable . . . . .	211,286
Contracts payable . . . . .	21,319
Retainage payable . . . . .	403,574
Accrued wages and benefits . . . . .	1,458,256
Pension obligation payable . . . . .	442,532
Intergovernmental payable . . . . .	81,901
Unearned revenue . . . . .	7,232,609
Accrued interest payable . . . . .	81,462
Long-term liabilities:	
Due within one year . . . . .	739,460
Due in more than one year . . . . .	23,753,594
 Total liabilities . . . . .	 <u>34,425,993</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	46,859,438
Restricted for:	
Capital projects . . . . .	7,499,086
Debt service . . . . .	1,009,513
Classroom facilities maintenance . . . . .	509,961
State funded programs . . . . .	25,543
Federally funded programs . . . . .	806,319
Student activities . . . . .	35,707
Other purposes . . . . .	354,155
Unrestricted (deficit) . . . . .	<u>(1,347,799)</u>
 Total net assets . . . . .	 <u>\$ 55,751,923</u>

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, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 9,231,281	\$ 973,674	\$ 1,306,935	\$ -	\$ (6,950,672)
Special . . . . .	3,508,509	285,165	1,824,365	-	(1,398,979)
Vocational . . . . .	99,733	11,911	17,944	-	(69,878)
Other . . . . .	804,637	-	-	-	(804,637)
Support services:					
Pupil . . . . .	1,111,360	-	90,823	-	(1,020,537)
Instructional staff . . . . .	1,544,576	3,394	925,440	-	(615,742)
Board of education . . . . .	27,236	-	-	-	(27,236)
Administration . . . . .	2,089,637	-	649,152	-	(1,440,485)
Fiscal . . . . .	465,595	-	2,167	-	(463,428)
Operations and maintenance . . . . .	2,093,001	-	108,015	102,250	(1,882,736)
Pupil transportation . . . . .	1,749,383	94,263	139,316	-	(1,515,804)
Central . . . . .	143,832	-	40,427	-	(103,405)
Operation of non-instructional services:					
Food service operations . . . . .	925,041	291,076	580,743	-	(53,222)
Extracurricular activities . . . . .	530,243	204,330	23,445	-	(302,468)
Interest and fiscal charges . . . . .	1,043,549	-	-	-	(1,043,549)
<b>Totals . . . . .</b>	<b>\$ 25,367,613</b>	<b>\$ 1,863,813</b>	<b>\$ 5,708,772</b>	<b>\$ 102,250</b>	<b>(17,692,778)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					4,352,243
Special revenue . . . . .					74,846
Debt service . . . . .					1,495,130
Capital projects . . . . .					195,352
Grants and entitlements not restricted to specific programs . . . . .					11,536,934
Grants and entitlements restricted for:					
Ohio School Facilities Commission . . . . .					1,753,608
Investment earnings . . . . .					367,195
Miscellaneous . . . . .					71,371
Total general revenues . . . . .					19,846,679
Change in net assets . . . . .					2,153,901
<b>Net assets at beginning of year (restated) . . . . .</b>					53,598,022
<b>Net assets at end of year . . . . .</b>					<b>\$ 55,751,923</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 668,977	\$ 833,628	\$ 6,663,805	\$ 1,502,849	\$ 9,669,259
Receivables:					
Taxes . . . . .	5,792,286	1,837,638	-	382,837	8,012,761
Accounts . . . . .	52,669	-	-	1,309	53,978
Intergovernmental . . . . .	-	-	361,511	1,220,596	1,582,107
Interfund loans . . . . .	160,672	-	-	-	160,672
Loans . . . . .	1,884	-	-	-	1,884
Prepayments . . . . .	44,669	-	-	29,425	74,094
Materials and supplies inventory . . . . .	94,756	-	-	26,372	121,128
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	246,688	-	403,574	-	650,262
Total assets . . . . .	<u>\$ 7,062,601</u>	<u>\$ 2,671,266</u>	<u>\$ 7,428,890</u>	<u>\$ 3,163,388</u>	<u>\$ 20,326,145</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 147,283	\$ -	\$ -	\$ 64,003	\$ 211,286
Contracts payable . . . . .	-	-	18,861	2,458	21,319
Retainage payable . . . . .	-	-	403,574	-	403,574
Accrued wages and benefits . . . . .	1,231,214	-	-	227,042	1,458,256
Pension obligation payable . . . . .	342,695	-	-	99,837	442,532
Compensated absences payable . . . . .	65,882	-	-	9,093	74,975
Intergovernmental payable . . . . .	69,266	1,142	-	11,493	81,901
Interfund loans payable . . . . .	-	-	-	160,672	160,672
Deferred revenue . . . . .	408,353	129,757	361,511	701,741	1,601,362
Unearned revenue . . . . .	5,226,041	1,660,611	-	345,957	7,232,609
Total liabilities . . . . .	<u>7,490,734</u>	<u>1,791,510</u>	<u>783,946</u>	<u>1,622,296</u>	<u>11,688,486</u>
<b>Fund Balances:</b>					
Nonspendable:					
Materials and supplies inventory . . . . .	94,756	-	-	26,372	121,128
Prepays . . . . .	44,669	-	-	29,425	74,094
Restricted:					
Debt service . . . . .	-	879,756	-	-	879,756
Capital improvements . . . . .	-	-	6,644,944	474,618	7,119,562
Classroom facilities maintenance . . . . .	-	-	-	472,416	472,416
Food service operations . . . . .	-	-	-	119,955	119,955
Non-public schools . . . . .	-	-	-	18,909	18,909
Public school preschool . . . . .	-	-	-	918	918
Special education . . . . .	-	-	-	49,736	49,736
Targeted academic assistance . . . . .	-	-	-	120,947	120,947
Other purposes . . . . .	-	-	-	18,022	18,022
Extracurricular . . . . .	-	-	-	35,707	35,707
Textbooks . . . . .	246,688	-	-	-	246,688
Committed:					
Capital improvements . . . . .	-	-	-	174,170	174,170
Termination benefits . . . . .	50,932	-	-	-	50,932
Assigned:					
Student instruction . . . . .	36,697	-	-	-	36,697
Student and staff support . . . . .	105,477	-	-	-	105,477
Uniform school supplies . . . . .	15,959	-	-	-	15,959
Public school support . . . . .	20,057	-	-	-	20,057
Unassigned (deficit) . . . . .	(1,043,368)	-	-	(103)	(1,043,471)
Total fund balances (deficit) . . . . .	<u>(428,133)</u>	<u>879,756</u>	<u>6,644,944</u>	<u>1,541,092</u>	<u>8,637,659</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,062,601</u>	<u>\$ 2,671,266</u>	<u>\$ 7,428,890</u>	<u>\$ 3,163,388</u>	<u>\$ 20,326,145</u>

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, 2011

<b>Total governmental fund balances</b>		\$	8,637,659
<i>Amounts reported for governmental activities on 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.			69,767,177
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	565,142	
Intergovernmental receivable		1,036,220	
Total		1,601,362	1,601,362
Unamortized bond issuance costs are not recognized in the funds.			245,266
Unamortized premiums on bond issuances not recognized in the funds.			(282,739)
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(81,462)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(22,625,000)	
Compensated absences		(1,510,340)	
Total		(24,135,340)	(24,135,340)
<b>Net assets of governmental activities</b>		\$	55,751,923

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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 4,345,368	\$ 1,495,375	\$ -	\$ 270,173	\$ 6,110,916
Tuition . . . . .	1,237,196	-	-	-	1,237,196
Transportation fees . . . . .	94,263	-	-	-	94,263
Earnings on investments . . . . .	109,751	-	238,362	38,133	386,246
Charges for services . . . . .	217	-	-	291,076	291,293
Extracurricular . . . . .	3,177	-	-	204,330	207,507
Classroom materials and fees . . . . .	33,454	-	-	-	33,454
Contributions and donations . . . . .	9,847	-	-	121,926	131,773
Other local revenues . . . . .	77,180	-	2,250	7,577	87,007
Intergovernmental - state . . . . .	12,221,503	226,739	6,160,053	327,485	18,935,780
Intergovernmental - federal . . . . .	-	-	-	3,768,062	3,768,062
Total revenues . . . . .	<u>18,131,956</u>	<u>1,722,114</u>	<u>6,400,665</u>	<u>5,028,762</u>	<u>31,283,497</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	8,202,724	-	-	628,295	8,831,019
Special . . . . .	2,486,792	-	-	833,732	3,320,524
Vocational . . . . .	112,188	-	-	-	112,188
Other . . . . .	804,637	-	-	-	804,637
Support services:					
Pupil . . . . .	1,020,813	-	-	53,454	1,074,267
Instructional staff . . . . .	551,062	-	-	893,111	1,444,173
Board of education . . . . .	25,750	-	-	-	25,750
Administration . . . . .	1,388,262	-	-	649,258	2,037,520
Fiscal . . . . .	391,192	51,172	-	11,530	453,894
Operations and maintenance . . . . .	1,772,086	-	93,579	237,275	2,102,940
Pupil transportation . . . . .	1,527,094	-	-	102,701	1,629,795
Central . . . . .	101,934	-	-	40,741	142,675
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	918,477	918,477
Extracurricular activities . . . . .	310,854	-	-	197,907	508,761
Facilities acquisition and construction . . . . .	25,455	-	11,421,369	512,299	11,959,123
Debt service:					
Principal retirement . . . . .	-	565,000	-	-	565,000
Interest and fiscal charges . . . . .	-	1,047,240	-	-	1,047,240
Total expenditures . . . . .	<u>18,720,843</u>	<u>1,663,412</u>	<u>11,514,948</u>	<u>5,078,780</u>	<u>36,977,983</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(588,887)</u>	<u>58,702</u>	<u>(5,114,283)</u>	<u>(50,018)</u>	<u>(5,694,486)</u>
<b>Other financing sources:</b>					
Sale of capital assets . . . . .	136,695	-	-	130,308	267,003
Total other financing sources . . . . .	<u>136,695</u>	<u>-</u>	<u>-</u>	<u>130,308</u>	<u>267,003</u>
Net change in fund balances . . . . .	(452,192)	58,702	(5,114,283)	80,290	(5,427,483)
<b>Fund balances (deficit) at beginning of year (restated) . . . . .</b>					
	(3,370)	821,054	11,759,227	1,446,489	14,023,400
<b>Increase in reserve for inventory . . . . .</b>	27,429	-	-	14,313	41,742
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (428,133)</u>	<u>\$ 879,756</u>	<u>\$ 6,644,944</u>	<u>\$ 1,541,092</u>	<u>\$ 8,637,659</u>

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, 2011

**Net change in fund balances - total governmental funds** \$ (5,427,483)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$ 12,293,273	
Current year depreciation	(1,123,768)	
<b>Total</b>	<b>11,169,505</b>	<b>11,169,505</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (502,611)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 41,742

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 565,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,761,983)

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

Decrease in accrued interest payable	2,020	
Amortization of bond issuance costs	(10,942)	
Amortization of bond premiums	12,613	
<b>Total</b>	<b>3,691</b>	<b>3,691</b>

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. **66,040**

**Change in net assets of governmental activities** **\$ 2,153,901**

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, 2011

	<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:				
Property taxes . . . . .	\$ 4,393,432	\$ 4,361,463	\$ 4,378,850	\$ 17,387
Tuition . . . . .	1,241,316	1,232,284	1,237,196	4,912
Transportation fees . . . . .	94,577	93,889	94,263	374
Earnings on investments . . . . .	110,116	109,315	109,751	436
Contributions and donations . . . . .	4,939	4,903	4,923	20
Other local revenues . . . . .	54,407	54,011	54,226	215
Intergovernmental - state . . . . .	12,262,201	12,172,976	12,221,503	48,527
Total revenues . . . . .	<u>18,160,988</u>	<u>18,028,841</u>	<u>18,100,712</u>	<u>71,871</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,008,953	8,494,596	8,261,338	233,258
Special . . . . .	2,394,131	2,540,129	2,480,109	60,020
Vocational . . . . .	94,986	100,682	96,551	4,131
Other . . . . .	779,028	826,604	804,637	21,967
Support services:				
Pupil . . . . .	1,035,787	1,097,940	1,071,824	26,116
Instructional staff . . . . .	501,354	531,583	514,337	17,246
Board of education . . . . .	26,549	28,104	26,942	1,162
Administration . . . . .	1,301,654	1,378,358	1,303,145	75,213
Fiscal . . . . .	388,518	412,148	407,824	4,324
Operations and maintenance . . . . .	1,870,395	1,977,435	1,920,807	56,628
Pupil transportation . . . . .	1,522,038	1,610,645	1,527,813	82,832
Central . . . . .	101,714	107,733	118,943	(11,210)
Extracurricular activities . . . . .	293,768	311,709	303,425	8,284
Facilities acquisition and construction . . . . .	9,509	9,992	8,176	1,816
Total expenditures . . . . .	<u>18,328,384</u>	<u>19,427,658</u>	<u>18,845,871</u>	<u>581,787</u>
Excess expenditures over revenues . . . . .	<u>(167,396)</u>	<u>(1,398,817)</u>	<u>(745,159)</u>	<u>653,658</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	74,075	73,536	73,829	293
Advances in . . . . .	53,259	52,871	53,082	211
Advances (out) . . . . .	-	-	(182,615)	(182,615)
Sale of capital assets . . . . .	137,150	136,152	136,695	543
Total other financing sources (uses) . . . . .	<u>264,484</u>	<u>262,559</u>	<u>80,991</u>	<u>(181,568)</u>
Net change in fund balance . . . . .	97,088	(1,136,258)	(664,168)	472,090
<b>Fund balance at beginning of year . . . . .</b>	886,374	886,374	886,374	-
<b>Prior year encumbrances appropriated . . . . .</b>	328,384	328,384	328,384	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,311,846</u>	<u>\$ 78,500</u>	<u>\$ 550,590</u>	<u>\$ 472,090</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, 2011

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 24,924	\$ 36,521
Materials and supplies inventory . . . . .	-	444
Total assets . . . . .	24,924	\$ 36,965
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 112
Loans payable . . . . .	-	1,884
Due to students . . . . .	-	34,969
Total liabilities . . . . .	-	\$ 36,965
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	24,924	
Total net assets . . . . .	\$ 24,924	

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, 2011

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 812
<b>Deductions:</b>	
Scholarships awarded . . . . .	3,500
Change in net assets. . . . .	(2,688)
<b>Net assets at beginning of year . . . . .</b>	<b>27,612</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 24,924</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, 2011

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

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

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

The District ranks as the 217<sup>th</sup> largest by enrollment among the 918 public school districts and community schools in the State. It currently operates 3 elementary schools, 1 middle school and 1 high school. The District employs 168 certified and 102 classified full-time and part-time employees to provide services to approximately 2,240 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 comprised of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

*JOINTLY GOVERNED ORGANIZATION*

Gallia-Jackson-Vinton Joint Vocational School District

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

Schools of Ohio Risk Sharing Authority

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

Classroom facilities fund - A capital projects fund used to account for and report resources that are restricted to expenditures in connection with contracts entered into by the District and the Ohio School Facilities Commission (OSFC) for the building, renovation and equipping of classroom facilities.

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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 statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

1. On July 25, 2002, the Gallia County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenue and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2011.
3. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
4. All funds, other than agency funds, are legally required to be budgeted and appropriated. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2011. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. During fiscal year 2011, the District had no investments. All monies of the pool were maintained in depository accounts with financial institutions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Under existing Ohio statutes all investment earnings 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 2011 amounted to \$109,751, which includes \$77,851 assigned from other District funds.

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

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

**G. Inventory**

On government-wide 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 nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**H. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 \$1,500 during fiscal year 2011. 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	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**I. Interfund Balances**

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

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

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2011 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Notes are recognized as a liability on the fund financial statements when due.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**L. Fund Balance**

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned. In governmental funds other than the general fund, unassigned fund balance is also used to report a deficit balance resulting from expenditures exceeding amounts that have been restricted, committed or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent in that order when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**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, none are restricted by enabling legislation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**N. Prepayments**

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

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

**O. Estimates**

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

**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 and amounts held for retainage related to construction projects. See Note 15 for details on set-asides.

**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.

**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 year 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance (deficit) as previously reported	\$ (220,102)	\$ 821,054	\$ 11,759,227	\$ 1,663,221	\$ 14,023,400
Fund reclassifications:					
Public school support fund	22,007	-	-	(22,007)	-
Uniform school supplies fund	(5,349)	-	-	5,349	-
Termination benefits fund	<u>200,074</u>	<u>-</u>	<u>-</u>	<u>(200,074)</u>	<u>-</u>
Total fund reclassifications	<u>216,732</u>	<u>-</u>	<u>-</u>	<u>(216,732)</u>	<u>-</u>
Restated fund (deficit) balance at July 1, 2010	<u>\$ (3,370)</u>	<u>\$ 821,054</u>	<u>\$ 11,759,227</u>	<u>\$ 1,446,489</u>	<u>\$ 14,023,400</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**C. Restatement of Net Assets**

The District's net assets have been restated to reflect the effects of a reappraisal performed during fiscal year 2011 on the District's capital assets. The reappraisal, prepared by an independent appraisal company, reported different acquisition costs and accumulated depreciation balances than were previously reported. The District has elected to restate capital asset and accumulated depreciation balances to match this reappraisal.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The restatement of capital asset and accumulated depreciation balances to match the reappraisal had the following effect on net assets as previously reported by the governmental activities:

	Governmental Activities
Net assets, June 30, 2010	\$ 51,451,384
Adjustment due to capital asset appraisal	2,146,638
Restated net assets, July 1, 2010	\$ 53,598,022

See Note 8 for the effect of the change on capital asset and accumulated depreciation balances as previously reported by the District at June 30, 2010.

**D. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
General	\$ 428,133
 <u>Nonmajor governmental funds</u>	
EMIS	82
Stimulus Title II-D	21

The general fund is liable for any deficits in the nonmajor governmental fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. The general fund had \$668,977 of equity in pooled cash and cash equivalents at June 30, 2011.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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



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

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.

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

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

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

**A. Restricted Cash**

At fiscal year end, \$403,574 was on deposit with a bank for retainage held as part of the District's construction contracts. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "restricted cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$10,380,966. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$281,484 of the District's bank balance of \$10,717,266 was covered by the Federal Deposit Insurance Corporation, while \$10,435,782 was exposed to custodial risk as discussed below.

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

**C. Investments**

The District had no investments at June 30, 2011.

**D. 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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	<u>\$ 10,380,966</u>
Total	<u>\$ 10,380,966</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 10,319,521
Private-purpose trust fund	24,924
Agency fund	<u>36,521</u>
Total	<u>\$ 10,380,966</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 160,672</u>

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

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

- B. Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on both the fund and government-wide financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 1,884</u>

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Gallia County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$186,950 in the general fund, \$60,536 in the debt service fund, \$8,368 in the permanent improvement fund (a nonmajor governmental fund) and \$4,208 in the classroom facilities fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$123,959 in the general fund, \$39,389 in the debt service fund, \$5,468 in the permanent improvement fund (a nonmajor governmental fund) and \$2,738 in the classroom facilities fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 225,952,970	95.22	\$ 227,553,130	94.85
Public utility personal	10,770,950	4.54	12,060,990	5.03
Tangible personal property	<u>564,630</u>	<u>0.24</u>	<u>289,910</u>	<u>0.12</u>
<b>Total</b>	<b><u>\$ 237,288,550</u></b>	<b><u>100.00</u></b>	<b><u>\$ 239,904,030</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$31.00		\$31.00	
Bond retirement	7.20		7.20	
Permanent improvements	1.50		1.50	

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, accounts, intergovernmental grants and entitlements and loans. 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	\$ 8,012,761
Accounts	53,978
Intergovernmental	1,582,107
Loans	<u>1,884</u>
Total	<u>\$ 9,650,730</u>

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

**NOTE 8 - CAPITAL ASSETS**

The District's capital asset and accumulated depreciation balances have been restated to reflect the effects of a reappraisal performed during fiscal year 2011 on the District's capital assets (see Note 3.C. for more detail). The reappraisal had the following effect on the balances as previously reported:

	<u>Balance</u> <u>06/30/10</u>	<u>Reappraisal</u> <u>Adjustment</u>	<u>Restated</u> <u>Balance</u> <u>06/30/10</u>
<b>Governmental Activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 986,120	\$ 250,000	\$ 1,236,120
Construction in progress	26,495,989	-	26,495,989
Total capital assets, not being depreciated	<u>27,482,109</u>	<u>250,000</u>	<u>27,732,109</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,436,499	1,132,243	2,568,742
Buildings and improvements	32,264,516	-	32,264,516
Furniture and equipment	2,197,647	(191,439)	2,006,208
Vehicles	2,422,150	182,964	2,605,114
Total capital assets, being depreciated	<u>38,320,812</u>	<u>1,123,768</u>	<u>39,444,580</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(1,082,964)	197,891	(885,073)
Buildings	(4,094,796)	(242,834)	(4,337,630)
Furniture and equipment	(1,756,237)	875,741	(880,496)
Vehicles	(1,915,279)	(57,928)	(1,973,207)
Total accumulated depreciation	<u>(8,849,276)</u>	<u>772,870</u>	<u>(8,076,406)</u>
Governmental activities capital assets, net	<u>\$ 56,953,645</u>	<u>\$ 2,146,638</u>	<u>\$ 59,100,283</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Restated Balance			Balance
<b><u>Governmental activities:</u></b>	<u>06/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,236,120	\$ -	\$ (56,370)	\$ 1,179,750
Construction-in-progress	26,495,989	11,933,668	(10,317,657)	28,112,000
<i>Total capital assets, not being depreciated</i>	<u>27,732,109</u>	<u>11,933,668</u>	<u>(10,374,027)</u>	<u>29,291,750</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,568,742	256,250	(341,259)	2,483,733
Buildings and improvements	32,264,516	10,317,657	(1,840,720)	40,741,453
Equipment and furniture	2,006,208	10,000	(474,009)	1,542,199
Vehicles	2,605,114	93,355	(649,505)	2,048,964
<i>Total capital assets, being depreciated</i>	<u>39,444,580</u>	<u>10,677,262</u>	<u>(3,305,493)</u>	<u>46,816,349</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(885,073)	(96,645)	276,588	(705,130)
Buildings and improvements	(4,337,630)	(784,859)	1,619,660	(3,502,829)
Equipment and furniture	(880,496)	(119,143)	422,106	(577,533)
Vehicles	(1,973,207)	(123,121)	540,898	(1,555,430)
<i>Total accumulated depreciation</i>	<u>(8,076,406)</u>	<u>(1,123,768)</u>	<u>2,859,252</u>	<u>(6,340,922)</u>
Total capital assets, net	<u>\$ 59,100,283</u>	<u>\$ 21,487,162</u>	<u>\$ (10,820,268)</u>	<u>\$ 69,767,177</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 499,663
Special	200,109
Vocational	7,697
<u>Support services:</u>	
Pupil	51,178
Instructional staff	75,590
Board of Education	1,486
Administration	103,903
Fiscal	9,782
Pupil transportation	123,121
<u>Operation on non-instructional services:</u>	
Food service operations	29,757
Extracurricular activities	21,482
Total depreciation expense	<u>\$ 1,123,768</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>6/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/11</u>	<u>Amounts Due</u> <u>In One Year</u>
General obligation bonds	\$ 23,190,000	\$ -	\$ (565,000)	\$ 22,625,000	\$ 585,000
Compensated absences	<u>1,576,380</u>	<u>86,151</u>	<u>(77,216)</u>	<u>1,585,315</u>	<u>154,460</u>
Total	<u>\$ 24,766,380</u>	<u>\$ 86,151</u>	<u>\$ (642,216)</u>	24,210,315	<u>\$ 739,460</u>
Unamortized premium				<u>282,739</u>	
Total on statement of net assets				<u>\$ 24,493,054</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 School Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of four new kindergarten through eight grade buildings and a new high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 7.20 mil bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the OSFC. The OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2011, the total estimated cost of the Construction Project is \$27,925,959, of which the OSFC will pay approximately \$17,872,614.

During fiscal year 2009, the OSFC 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Year Ended June 30	General Obligation Bonds		
	Principal	Interest	Total
2012	\$ 585,000	\$ 1,035,940	\$ 1,620,940
2013	610,000	1,012,540	1,622,540
2014	635,000	988,140	1,623,140
2015	660,000	962,740	1,622,740
2016	685,000	936,340	1,621,340
2017 - 2021	3,925,000	4,186,430	8,111,430
2022 - 2026	4,910,000	3,199,038	8,109,038
2027 - 2031	6,160,000	1,950,275	8,110,275
2032 - 2034	4,455,000	406,800	4,861,800
Total	<u>\$ 22,625,000</u>	<u>\$ 14,678,243</u>	<u>\$ 37,303,243</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, 2011, the District has exceeded the legal voted debt margin by \$179,973, the legal unvoted debt margin was \$239,614, and the legal energy conservation debt margin was \$2,156,527.

The District's Board of Education received approval to become a special needs district and issue bonds in excess of the 9% debt limitation.

**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 2011, the District purchased general liability insurance through the Schools of Ohio Risk Sharing Authority (SORSA), which carried a \$2 million per occurrence and \$8 million annual aggregate limitation.



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

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has 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 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**NOTE 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, disability, survivor 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 "Media/Financial Reports".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$299,712, \$315,530 and \$208,937, respectively; 56.70 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 2011, 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, 2011, 2010 and 2009 were \$1,300,548, \$1,363,969 and \$1,321,998, respectively; 84.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$31,316 made by the District and \$22,369 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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$73,638, \$45,418 and \$127,885, respectively; 56.70 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$19,287, \$18,764 and \$17,239, respectively; 56.70 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

**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), under "Publications" or by calling (888) 227-7877.

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 2011, 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, 2011, 2010 and 2009 were \$100,042, \$104,921 and \$101,692, respectively; 84.10 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (686,318)
Net adjustment for revenue accruals	(21,260)
Net adjustment for expenditure accruals	65,622
Net adjustment for other sources/uses	24,062
Funds budgeted elsewhere	(129,784)
Adjustment for encumbrances	295,486
GAAP basis	\$ (452,192)

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

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigations**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 15 - SET-ASIDES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2010	\$ 141,867	\$ -
Current year set-aside requirement	319,189	319,189
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(214,368)	(761,783)
Excess qualified expenditures from prior years	-	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ 246,688</u>	<u>\$ (442,594)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside reserve balance June 30, 2011	<u>\$ 246,688</u>	<u>\$ -</u>

The District did not have qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year.

Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

During fiscal year 2006, the District issued \$25,000,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$23,265,285 at June 30, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 2011, the District was obligated for the following contracts:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Payments as of 6/30/2011</u>	<u>Contract Balance at 6/30/2011</u>
A J Stockmeister Inc.	\$ 414,817	\$ 118,351	\$ 296,466
Central Masonry, Inc.	4,166	791	3,375
Claypool Electric, Inc.	1,534,873	693,991	840,882
Continental Office Environments	93,254	-	93,254
Econco	761,997	193,534	568,463
Four Seasons Environmental	76,527	53,295	23,232
Gandee & Associates, Inc.	31,600	3,929	27,671
Hickory Valley Sod Farm	85,098	51,211	33,887
Kinsale Corporation	63,794	26,196	37,598
Library Design Associates	56,769	295	56,474
Martin Public Seating	39,984	29,196	10,788
Mechanical Construction	1,408	-	1,408
National Construction	320	160	160
NTH Consultants Ltd.	18,927	7,049	11,878
Red Ribbon Week	2,726	-	2,726
Reddy Electric Co.	8,391	5,604	2,787
SED Commercial Interior	15,281	3,845	11,436
Shiffler Equipment Sales	2,290	-	2,290
SHP Leading Design	408,493	315,089	93,404
Suddenlink	450	-	450
Tom Sexton & Associates	102,748	41,376	61,372
TP Mechanical Construction	346,567	235,356	111,211
Trimat Construction, Inc.	2,550,586	686,982	1,863,604
Trisco Systems, Inc.	42,400	-	42,400
Wasserstrom Co.	221,370	-	221,370
	<u>\$ 6,884,836</u>	<u>\$ 2,466,250</u>	<u>\$ 4,418,586</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$ 159,556
Classroom facilities	4,299,542
Other governmental	<u>193,277</u>
Total	<u>\$ 4,652,375</u>

**NOTE 18 - SUBSEQUENT EVENT**

On September 12, 2011, the Mr. Roger Mace was named as superintendent of the District.



**Gallipolis City School District**  
**Gallia County**  
Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2011

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>Child Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 141,524	\$ -	\$ 141,524	\$ -
National School Lunch Program	3L60	10.555	379,468	54,639	379,468	54,639
Total Child Nutrition Cluster			520,992	54,639	520,992	54,639
<b>Total United States Department of Agriculture</b>			520,992	54,639	520,992	54,639
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	496,943	-	513,716	-
Special Education - Preschool Grants	3C50	84.173	13,340	-	14,153	-
Special Education - Grants to States, ARRA	3DJ0	84.391	256,846	-	336,101	-
Special Education - Preschool Grants, ARRA	3DL0	84.392	2,675	-	3,806	-
Total Special Education Cluster (IDEA)			769,804	-	867,776	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	658,603	-	714,914	-
Title I Grants to Local Educational Agencies, ARRA	3DK0	84.389	210,618	-	246,193	-
Total Title I, Part A Cluster			869,221	-	961,107	-
<i>State Fiscal Stabilization Fund Cluster:</i>						
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA	GRF	84.394	943,504	-	967,611	-
Total State Fiscal Stabilization Fund Cluster			943,504	-	967,611	-
<i>Education Technology State Grants Cluster:</i>						
Education Technology State Grants	3S20	84.318	2,755	-	2,755	-
Total State Fiscal Stabilization Fund Cluster			2,755	-	2,755	-
Safe and Drug-Free Schools and Communities - State Grants	3D10	84.186	1,801	-	3,849	-
Rural Education	3Y80	84.358	44,103	-	51,212	-
Improving Teacher Quality State Grants	3Y60	84.367	144,071	-	157,968	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	10,153	-	6,648	-
<b>Total United States Department of Education</b>			2,785,412	-	3,018,926	-
<b>Total Federal Financial Assistance</b>			<u>\$ 3,306,404</u>	<u>\$ 54,639</u>	<u>\$ 3,539,918</u>	<u>\$ 54,639</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**Gallipolis City School District**  
**Gallia County**  
Notes to Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2011

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs and is presented on the cash basis of accounting.

**NOTE B – FOOD DONATION**

Nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received as assessed by the U.S. Department of Agriculture. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2011, the School District had no significant food commodities in inventory.

**NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board of Education  
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, Gallia County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2012 wherein we noted that the District implemented GASB Statements No. 54 and No. 59. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

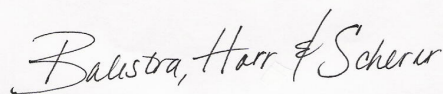
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-001 to be a significant deficiency. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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*

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
January 30, 2012



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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

### Compliance

We have audited the compliance of Gallipolis City School District, Gallia County, Ohio (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 could directly and materially affect each of Gallipolis City School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Gallipolis City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Members of the Board of Education  
Gallipolis City School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
January 30, 2012

**Gallipolis City School District  
Gallia County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2011**

**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)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control 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 §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	<p>Special Education Cluster: Special Education Grants to States, CFDA# 84.027; Special Education Grants to States – ARRA, CFDA# 84.391; Special Education Preschool Grants, CFDA# 84.173; Special Education Preschool Grants – ARRA, CFDA# 84.392</p> <p>Title I, Part A Cluster: Title I Grants to Local Educational Agencies, CFDA# 84.010; Title I Grants to Local Educational Agencies – ARRA, CFDA# 84.389</p> <p>State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund (SFSF) – Education State Grants – ARRA, CFDA# 84.394</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Gallipolis City School District  
Gallia County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2011**

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

**Finding 2011-001**

**Significant Deficiency – Financial Reporting**

Sound financial reporting is the responsibility of the District's Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The District had prior period adjustment for Capital Assets due to a reappraisal. The accompanying financial statements were adjusted to reflect the correction of the capital assets account balance associated with the reappraisal.

The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

**Client's response:**

The District does and always has tracked capital assets. However, it had been 15 years since an on – site appraisal had been done of the District. With new building construction consisting of: one high school (GAHS), two elementary schools (Green and Rio Grande), renovation of Washington Elementary and renovation of the old high to a middle school along with the demolition of two school buildings (old Green Elementary and the Junior High) a complete reevaluation of the District was needed. A decision was made to have new appraisal to capture all the changes. The appraisal was performed by a firm that was new to the District. Also during the audit period two large auctions were held of furnishings from throughout the District along with the auction of the Rio Grande Elementary building and property and the Clay Elementary building and property.

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

**None noted**





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## Independent Auditor's Report on Applying Agreed Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Gallipolis City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying on March 17, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

January 30, 2012

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# Dave Yost • Auditor of State

**GALLIPOLIS CITY SCHOOL DISTRICT**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2012**