



Dave Yost • Auditor of State



**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District, Gallia County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District, Gallia County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**

Auditor of State

Columbus, Ohio

March 23, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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 2014 are as follows:

- The District net position of governmental activities decreased \$659,182 which represents a 1.27% decrease from 2013.
- General revenues accounted for \$18,994,754 in revenue or 76.95% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,689,728 or 23.05% of total revenues of \$24,684,482.
- The District had \$25,343,664 in expenses related to governmental activities; only \$5,689,728 was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,994,754 were not adequate to provide for these programs.
- The District had two major governmental funds during fiscal 2014. The general fund had \$19,090,453 in revenues and \$19,279,698 in expenditures and other financing uses. During fiscal 2014, the general fund's fund balance decreased \$232,565 from \$723,338 to a balance of \$490,773.
- The debt service fund had \$1,863,529 in revenues and \$1,709,611 in expenditures. During fiscal 2014, the debt service fund's fund balance increased \$153,918 from \$1,477,329 to \$1,631,247.

**Using the Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. 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, 2014

***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 24-49 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net position for 2014 and 2013.

	<b>Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 14,606,742	\$ 14,526,871
Capital assets, net	<u>68,441,072</u>	<u>69,930,417</u>
Total assets	<u>83,047,814</u>	<u>84,457,288</u>
<b><u>Deferred outflows</u></b>	<u>2,204,337</u>	<u>2,317,865</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,045,786	1,970,993
Long-term liabilities	<u>24,751,230</u>	<u>25,756,590</u>
Total liabilities	<u>26,797,016</u>	<u>27,727,583</u>
<b><u>Deferred inflows</u></b>	<u>7,049,894</u>	<u>6,983,147</u>
<b><u>Net Position</u></b>		
Investment in capital assets	47,541,539	47,918,744
Restricted	4,216,942	4,256,754
Unrestricted (deficit)	<u>(353,240)</u>	<u>(111,075)</u>
Total net position	<u>\$ 51,405,241</u>	<u>\$ 52,064,423</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$51,405,241. At year-end, restricted net position was \$4,216,942.

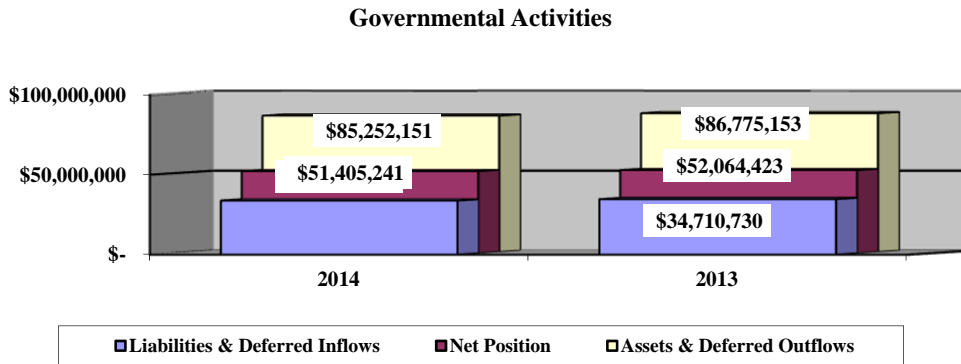
At year-end, capital assets represented 82.41% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Total net investment in capital assets at June 30, 2014 was \$47,541,539. These capital assets are used to provide services 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A portion of the District's net position, \$4,216,942, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$353,240.

The graph below illustrates the District's total assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2014 and 2013.



The table below shows the change in net position for fiscal year 2014 and 2013.

	<b>Change in Net Position</b>	
	Governmental Activities	Governmental Activities
	2014	2013
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,747,088	\$ 1,823,028
Operating grants and contributions	3,784,309	3,568,807
Capital grants and contributions	158,331	120,754
General revenues:		
Property taxes	6,888,470	6,122,744
Grants and entitlements not restricted to specific programs	11,585,218	11,687,522
Grants and entitlements restricted for Ohio Schools Facilities Commission	112,125	418,577
Investment earnings	37,225	38,296
Other	371,716	196,084
Total revenues	\$ 24,684,482	\$ 23,975,812

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Change in Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 10,325,863	\$ 9,996,892
Special	3,841,091	3,566,489
Vocational	135,445	121,179
Other	38,393	-
Support services:		
Pupil	1,265,869	1,121,838
Instructional staff	754,258	1,418,392
Board of education	71,783	54,720
Administration	1,900,168	2,196,465
Fiscal	518,905	422,197
Business	431	-
Operations and maintenance	2,451,353	2,474,238
Pupil transportation	1,794,346	1,556,933
Central	130,963	178,290
Operations of non-instructional services:		
Other non-instructional services	-	5,733
Food service operations	869,356	936,663
Extracurricular activities	554,714	618,635
Interest and fiscal charges	<u>690,726</u>	<u>1,301,470</u>
Total expenses	<u>25,343,664</u>	<u>25,970,134</u>
Change in net position	(659,182)	(1,994,322)
Net position at beginning of year	<u>52,064,423</u>	<u>54,058,745</u>
Net position at end of year	<u>\$ 51,405,241</u>	<u>\$ 52,064,423</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$659,182. Total governmental expenses of \$25,343,664 were offset by program revenues of \$5,689,728 and general revenues of \$18,994,754. Program revenues supported 22.45% of the total governmental expenses.

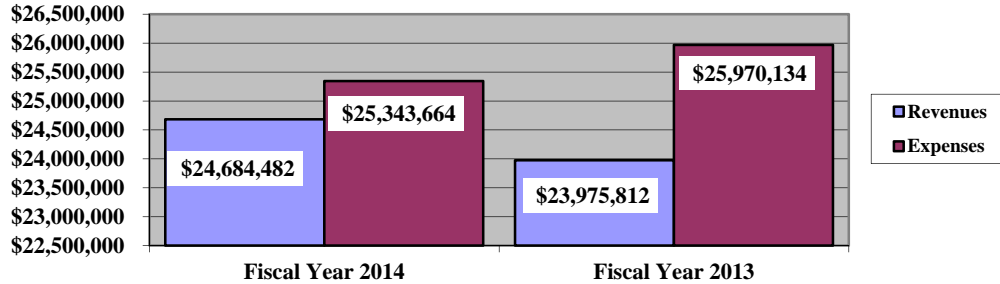
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 75.29% of total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

**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.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014	2014	2013	2013
<b>Program expenses</b>				
Instruction:				
Regular	\$ 10,325,863	\$ 8,668,384	\$ 9,996,892	\$ 8,419,302
Special	3,841,091	1,586,079	3,566,489	1,827,729
Vocational	135,445	118,429	121,179	95,986
Other	38,393	12,816	-	-
Support services:				
Pupil	1,265,869	1,249,579	1,121,838	1,080,331
Instructional staff	754,258	437,669	1,418,392	742,597
Board of education	71,783	71,783	54,720	54,720
Administration	1,900,168	1,850,782	2,196,465	2,153,439
Fiscal	518,905	516,997	422,197	420,377
Business	431	431	-	-
Operations and maintenance	2,451,353	2,280,566	2,474,238	2,340,258
Pupil transportation	1,794,346	1,580,274	1,556,933	1,314,325
Central	130,963	127,580	178,290	165,809
Operations of non-instructional services:				
Other non-instructional services	-	-	5,733	5,733
Food service operations	869,356	98,095	936,663	131,898
Extracurricular activities	554,714	363,746	618,635	403,571
Interest and fiscal charges	690,726	690,726	1,301,470	1,301,470
<b>Total expenses</b>	<u>\$ 25,343,664</u>	<u>\$ 19,653,936</u>	<u>\$ 25,970,134</u>	<u>\$ 20,457,545</u>

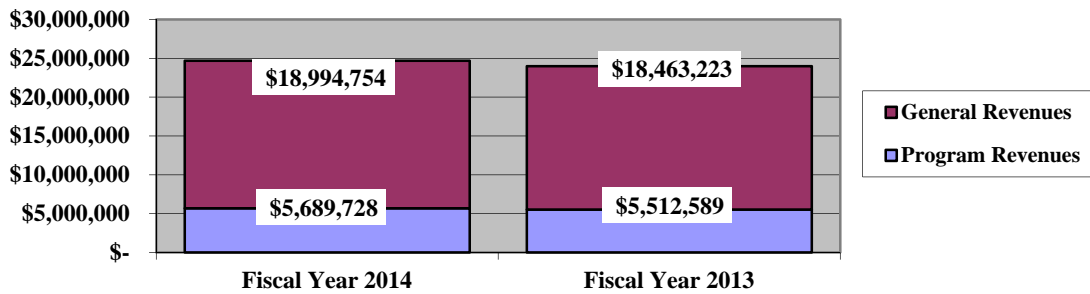
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The dependence upon tax and other general revenues for governmental activities is apparent, 72.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.55%. The District's taxpayers and State unrestricted grants are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

**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 \$4,817,098, which is lower than last year's total of \$5,255,210. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General	\$ 490,773	\$ 723,338	\$ (232,565)
Debt service	1,631,247	1,477,329	153,918
Other governmental	<u>2,695,078</u>	<u>3,054,543</u>	<u>(359,465)</u>
Total	<u>\$ 4,817,098</u>	<u>\$ 5,255,210</u>	<u>\$ (438,112)</u>

**General Fund**

The District's general fund's fund balance decreased \$232,565.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	2014 <u>Amount</u>	2013 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,727,852	\$ 4,609,824	\$ 118,028	2.56 %
Transportation fees	175,754	201,856	(26,102)	(12.93) %
Tuition	1,193,781	1,192,835	946	0.08 %
Earnings on investments	26,559	26,545	14	0.05 %
Intergovernmental	12,549,526	12,371,876	177,650	1.44 %
Other revenues	<u>416,981</u>	<u>241,319</u>	<u>175,662</u>	72.79 %
Total	<u>\$ 19,090,453</u>	<u>\$ 18,644,255</u>	<u>\$ 446,198</u>	2.39 %
<b><u>Expenditures</u></b>				
Instruction	\$ 11,497,780	\$ 10,657,551	\$ 840,229	7.88 %
Support services	7,454,353	7,411,791	42,562	0.57 %
Extracurricular activities	309,070	300,890	8,180	2.72 %
Facilities acquisition and construction	<u>2,686</u>	<u>5,100</u>	<u>(2,414)</u>	(47.33) %
Total	<u>\$ 19,263,889</u>	<u>\$ 18,375,332</u>	<u>\$ 888,557</u>	4.84 %

The District experienced a \$446,198 or 2.39% increase in general fund revenues and an increase of \$888,557 or 4.84% in expenditures. Transportation fees decreased \$26,102 or 12.93% due to a decrease in transportation reimbursements in the current fiscal year. Other revenues increased \$175,662 or 72.79% due to an increase in Erate revenues received in the current fiscal year. Facilities acquisition and construction expenditure decreased \$2,414 or 47.33% due to a decrease in maintenance and repair costs throughout the District. Instructional expenditures increased \$840,229 or 7.88% due to an increase in personnel costs. All other revenues and expenditures remained consistent with prior year.

***Debt Service Fund***

The debt service fund had \$1,863,529 in revenues and \$1,709,611 in expenditures. During fiscal 2014, the debt service fund's fund balance increased \$153,918 from \$1,477,329 to \$1,631,247.

***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 2014, the District amended its general fund budget revenues. For the general fund, original budget revenues and other financing sources were \$18,174,271, which was lower than the final budget revenues and other financing sources of \$19,196,653. For fiscal 2014, actual revenues and other financing sources were \$19,295,254. This represents a \$98,601 increase over final budgeted revenues.

General fund original budget expenditures and other financing uses (original appropriations plus prior year encumbrances appropriated) totaled \$18,961,313. Final budget expenditures and other financing uses (final appropriations plus prior year encumbrances appropriated) totaled \$19,704,819. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$19,696,600, which was \$8,219 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, 2014

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2014, the District had \$68,441,072 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows the net capital asset balances at June 30, 2014 and June 30, 2013:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,179,750	\$ 1,179,750
Land improvements	1,469,448	1,572,500
Building and improvements	62,901,172	64,219,933
Furniture and equipment	2,381,285	2,597,660
Vehicles	<u>509,417</u>	<u>360,574</u>
<b>Total</b>	<b><u>\$ 68,441,072</u></b>	<b><u>\$ 69,930,417</u></b>

The overall decrease in capital assets of \$1,489,345 is primarily due to depreciation expense of \$1,867,963 exceeding capital outlays of \$378,618 in fiscal 2014.

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

*Debt Administration*

At June 30, 2014 the District had \$3,705,000 in general obligation bonds and \$16,849,756 refunding bonds outstanding. Of this total, \$1,050,000 is due within one year and \$19,504,756 is due within greater than one year. The following table summarizes the bonds outstanding.

	Governmental	Governmental
	Activities	Activities
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 3,705,000	\$ 4,340,000
Refunding bonds	<u>16,849,756</u>	<u>17,139,193</u>
<b>Total</b>	<b><u>\$ 20,554,756</u></b>	<b><u>\$ 21,479,193</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, 2014**

**Current Financial Related Activities**

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

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

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

The District employs 257 regular and contracted employees. Wage increases for the teaching staff were approved for the 2013-2014 and 2014-2015 school years. Increases for the non-certified employees were approved for the 2014-2015, 2015-2016 and the 2016-2017 school years. The negotiated agreements between the Board of Education and the Gallipolis Education Association and OAPSE expires August 15, 2015 and June 2017 respectfully. The certified employees will begin meeting in the spring of 2015 to develop a new contract for their members

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 6,525,730
Receivables:	
Taxes. . . . .	7,677,522
Accounts. . . . .	25,117
Intergovernmental . . . . .	232,873
Loans . . . . .	20
Prepayments . . . . .	52,496
Materials and supplies inventory. . . . .	92,984
Capital assets:	
Land . . . . .	1,179,750
Depreciable capital assets, net. . . . .	67,261,322
Capital assets, net . . . . .	<u>68,441,072</u>
Total assets. . . . .	<u>83,047,814</u>
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	2,204,337
Total deferred outflows of resources . . . . .	<u>2,204,337</u>
 <b>Liabilities:</b>	
Accounts payable. . . . .	254,277
Accrued wages and benefits . . . . .	1,356,336
Pension obligation payable. . . . .	335,168
Intergovernmental payable . . . . .	57,577
Accrued interest payable . . . . .	42,428
Long-term liabilities:	
Due within one year. . . . .	1,152,855
Due in more than one year. . . . .	23,598,375
Total liabilities . . . . .	<u>26,797,016</u>
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	7,049,894
Total deferred inflows of resources . . . . .	<u>7,049,894</u>
 <b>Net position:</b>	
Net investment in capital assets . . . . .	47,541,539
Restricted for:	
Capital projects . . . . .	2,062,209
Debt service. . . . .	1,509,722
Classroom facilities maintenance . . . . .	443,811
State funded programs. . . . .	28,776
Federally funded programs . . . . .	97,572
Locally funded programs . . . . .	6,507
Other purposes . . . . .	68,345
Unrestricted (deficit) . . . . .	(353,240)
Total net position. . . . .	<u>\$ 51,405,241</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, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 10,325,863	\$ 1,219,847	\$ 437,632	\$ -	\$ (8,668,384)
Special . . . . .	3,841,091	3,541	2,251,471	-	(1,586,079)
Vocational . . . . .	135,445	740	16,276	-	(118,429)
Other . . . . .	38,393	-	25,577	-	(12,816)
Support services:					
Pupil . . . . .	1,265,869	-	16,290	-	(1,249,579)
Instructional staff . . . . .	754,258	3,319	313,270	-	(437,669)
Board of education . . . . .	71,783	-	-	-	(71,783)
Administration . . . . .	1,900,168	-	49,386	-	(1,850,782)
Fiscal . . . . .	518,905	-	1,908	-	(516,997)
Business . . . . .	431	-	-	-	(431)
Operations and maintenance . . . . .	2,451,353	2,275	10,181	158,331	(2,280,566)
Pupil transportation . . . . .	1,794,346	175,767	38,305	-	(1,580,274)
Central . . . . .	130,963	-	3,383	-	(127,580)
Operation of non-instructional services:					
Food service operations . . . . .	869,356	161,634	609,627	-	(98,095)
Extracurricular activities . . . . .	554,714	179,965	11,003	-	(363,746)
Interest and fiscal charges . . . . .	690,726	-	-	-	(690,726)
<b>Total governmental activities . . . . .</b>	<b>\$ 25,343,664</b>	<b>\$ 1,747,088</b>	<b>\$ 3,784,309</b>	<b>\$ 158,331</b>	<b>(19,653,936)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	4,900,724
Special revenue . . . . .	67,356
Debt service . . . . .	1,686,775
Capital projects . . . . .	233,615
Grants and entitlements not restricted to specific programs . . . . .	11,585,218
Grants and entitlements restricted for Ohio School Facilities Commission . . . . .	112,125
Investment earnings . . . . .	37,225
Miscellaneous . . . . .	371,716
<b>Total general revenues . . . . .</b>	<b>18,994,754</b>
Change in net position . . . . .	(659,182)
<b>Net position at beginning of year . . . . .</b>	<b>52,064,423</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 51,405,241</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 1,824,325	\$ 1,598,855	\$ 3,102,550	\$ 6,525,730
Receivables:				
Taxes. . . . .	5,362,473	1,872,488	442,561	7,677,522
Accounts . . . . .	25,076	-	41	25,117
Intergovernmental. . . . .	52,372	-	180,501	232,873
Interfund loans . . . . .	111,716	-	-	111,716
Loans. . . . .	20	-	-	20
Prepayments. . . . .	44,264	-	8,232	52,496
Materials and supplies inventory. . . . .	65,385	-	27,599	92,984
Total assets . . . . .	<u>\$ 7,485,631</u>	<u>\$ 3,471,343</u>	<u>\$ 3,761,484</u>	<u>\$ 14,718,458</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 156,046	\$ -	\$ 98,231	\$ 254,277
Accrued wages and benefits . . . . .	1,190,571	-	165,765	1,356,336
Pension obligation payable . . . . .	275,558	-	59,610	335,168
Compensated absences payable . . . . .	-	-	8,703	8,703
Intergovernmental payable . . . . .	50,602	-	6,975	57,577
Interfund loans payable. . . . .	-	-	111,716	111,716
Total liabilities. . . . .	<u>1,672,777</u>	<u>-</u>	<u>451,000</u>	<u>2,123,777</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	4,924,098	1,719,414	406,382	7,049,894
Delinquent property tax revenue not available. . . . .	345,611	120,682	28,523	494,816
Intergovernmental revenue not available . . . . .	52,372	-	180,501	232,873
Total deferred inflows of resources . . . . .	<u>5,322,081</u>	<u>1,840,096</u>	<u>615,406</u>	<u>7,777,583</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	65,385	-	27,599	92,984
Prepays. . . . .	44,264	-	8,232	52,496
Restricted:				
Debt service . . . . .	-	1,631,247	-	1,631,247
Capital improvements . . . . .	-	-	2,041,826	2,041,826
Classroom facilities maintenance . . . . .	-	-	435,671	435,671
Food service operations . . . . .	-	-	80,506	80,506
Non-public schools . . . . .	-	-	5,716	5,716
Special education . . . . .	-	-	3,645	3,645
Other purposes. . . . .	-	-	9,390	9,390
Committed:				
Capital improvements . . . . .	-	-	178,693	178,693
Extracurricular. . . . .	458	-	-	458
Student and staff support . . . . .	40,364	-	-	40,364
Termination benefits. . . . .	62,800	-	-	62,800
Student instruction. . . . .	6,686	-	-	6,686
Assigned:				
Student instruction . . . . .	120,538	-	-	120,538
Student and staff support. . . . .	109,655	-	-	109,655
Subsequent year's appropriations . . . . .	-	-	-	-
Uniform school supplies. . . . .	13,930	-	-	13,930
Public school support . . . . .	26,693	-	-	26,693
Unassigned (deficit). . . . .	-	-	(96,200)	(96,200)
Total fund balances . . . . .	<u>490,773</u>	<u>1,631,247</u>	<u>2,695,078</u>	<u>4,817,098</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 7,485,631</u>	<u>\$ 3,471,343</u>	<u>\$ 3,761,484</u>	<u>\$ 14,718,458</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$	4,817,098
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			68,441,072
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	494,816	
Intergovernmental receivable		232,873	
Total		727,689	727,689
Unamortized premiums on bonds issued are not recognized in the funds.			(2,748,893)
Unamortized amounts on refundings are not recognized in the funds.			2,204,337
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(42,428)
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		(20,554,756)	
Compensated absences		(1,438,878)	
Total		(21,993,634)	(21,993,634)
<b>Net position of governmental activities</b>		\$	51,405,241

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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,727,852	\$ 1,628,241	\$ 286,935	\$ 6,643,028
Tuition . . . . .	1,193,781	-	-	1,193,781
Transportation fees . . . . .	175,754	-	-	175,754
Earnings on investments . . . . .	26,559	-	13,495	40,054
Charges for services . . . . .	-	-	163,217	163,217
Extracurricular . . . . .	3,966	-	180,650	184,616
Classroom materials and fees . . . . .	29,720	-	-	29,720
Contributions and donations . . . . .	4,106	-	169,459	173,565
Other local revenues . . . . .	379,189	-	3,887	383,076
Intergovernmental - state . . . . .	12,549,526	235,288	403,475	13,188,289
Intergovernmental - federal . . . . .	-	-	2,102,366	2,102,366
Total revenues . . . . .	<u>19,090,453</u>	<u>1,863,529</u>	<u>3,323,484</u>	<u>24,277,466</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,924,812	-	548,261	9,473,073
Special . . . . .	2,445,073	-	963,357	3,408,430
Vocational . . . . .	115,079	-	7,355	122,434
Other . . . . .	12,816	-	25,577	38,393
Support services:				
Pupil . . . . .	1,149,288	-	16,293	1,165,581
Instructional staff . . . . .	400,615	-	298,859	699,474
Board of education . . . . .	68,726	-	-	68,726
Administration . . . . .	1,685,162	-	49,687	1,734,849
Fiscal . . . . .	424,755	54,920	12,074	491,749
Business . . . . .	431	-	-	431
Operations and maintenance . . . . .	2,195,959	-	164,743	2,360,702
Pupil transportation . . . . .	1,407,081	-	269,878	1,676,959
Central . . . . .	122,336	-	4,604	126,940
Operation of non-instructional services:				
Food service operations . . . . .	-	-	824,351	824,351
Extracurricular activities . . . . .	309,070	-	210,161	519,231
Facilities acquisition and construction . . . . .	2,686	-	305,537	308,223
Debt service:				
Principal retirement . . . . .	-	1,075,000	-	1,075,000
Interest and fiscal charges . . . . .	-	579,691	-	579,691
Total expenditures . . . . .	<u>19,263,889</u>	<u>1,709,611</u>	<u>3,700,737</u>	<u>24,674,237</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(173,436)</u>	<u>153,918</u>	<u>(377,253)</u>	<u>(396,771)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	15,809	15,809
Transfers (out) . . . . .	(15,809)	-	-	(15,809)
Total other financing sources (uses) . . . . .	<u>(15,809)</u>	<u>-</u>	<u>15,809</u>	<u>-</u>
Net change in fund balances . . . . .	(189,245)	153,918	(361,444)	(396,771)
<b>Fund balances at beginning of year . . . . .</b>	<b>723,338</b>	<b>1,477,329</b>	<b>3,054,543</b>	<b>5,255,210</b>
<b>Increase (decrease) in reserve for inventory . . . . .</b>	<b>(43,320)</b>	<b>-</b>	<b>1,979</b>	<b>(41,341)</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 490,773</u></b>	<b><u>\$ 1,631,247</u></b>	<b><u>\$ 2,695,078</u></b>	<b><u>\$ 4,817,098</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Net change in fund balances - total governmental funds</b>	\$	(396,771)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 378,618	
Current year depreciation	<u>(1,867,963)</u>	
Total		(1,489,345)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(41,341)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	245,442	
Intergovernmental	<u>128,246</u>	
Total		373,688
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,075,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	2,388	
Accreted interest on capital appreciation bonds	(150,563)	
Amortization of bond premiums	150,668	
Amortization of deferred charges	<u>(113,528)</u>	
Total		(111,035)
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.		
		<u>(69,378)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(659,182)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,444,136	\$ 4,697,746	\$ 4,722,205	\$ 24,459
Tuition . . . . .	1,123,485	1,187,598	1,193,781	6,183
Transportation fees . . . . .	165,973	175,445	176,358	913
Earnings on investments . . . . .	24,995	26,421	26,559	138
Contributions and donations . . . . .	753	796	800	4
Other local revenues . . . . .	345,810	365,544	367,447	1,903
Intergovernmental - state . . . . .	11,810,541	12,484,525	12,549,526	65,001
Total revenues . . . . .	<u>17,915,693</u>	<u>18,938,075</u>	<u>19,036,676</u>	<u>98,601</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,737,235	9,082,158	9,078,345	3,813
Special . . . . .	2,327,737	2,419,630	2,418,614	1,016
Vocational . . . . .	99,680	103,616	103,572	44
Other . . . . .	12,301	12,786	12,781	5
Support services:				
Pupil . . . . .	1,086,731	1,129,632	1,129,158	474
Instructional staff . . . . .	396,397	412,046	411,873	173
Board of education . . . . .	65,377	67,958	67,929	29
Administration . . . . .	1,600,364	1,663,542	1,662,844	698
Fiscal . . . . .	431,142	448,162	447,974	188
Business . . . . .	830	862	862	-
Operations and maintenance . . . . .	2,230,109	2,318,147	2,317,174	973
Pupil transportation . . . . .	1,427,810	1,484,176	1,483,553	623
Central . . . . .	120,736	125,503	125,450	53
Operation of non-instructional services:				
Extracurricular activities . . . . .	294,719	306,354	306,225	129
Facilities acquisition and construction . . . . .	2,585	2,687	2,686	1
Total expenditures . . . . .	<u>18,833,753</u>	<u>19,577,259</u>	<u>19,569,040</u>	<u>8,219</u>
Excess of expenditures over revenues . . . . .	<u>(918,060)</u>	<u>(639,184)</u>	<u>(532,364)</u>	<u>106,820</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	159,977	159,977	159,977	-
Transfers (out) . . . . .	(15,844)	(15,844)	(15,844)	-
Advances in . . . . .	98,601	98,601	98,601	-
Advances (out) . . . . .	(111,716)	(111,716)	(111,716)	-
Total other financing sources (uses) . . . . .	<u>131,018</u>	<u>131,018</u>	<u>131,018</u>	<u>-</u>
Net change in fund balance . . . . .	(787,042)	(508,166)	(401,346)	106,820
<b>Fund balance at beginning of year . . . . .</b>	<b>1,205,925</b>	<b>1,205,925</b>	<b>1,205,925</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>461,313</b>	<b>461,313</b>	<b>461,313</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 880,196</u></b>	<b><u>\$ 1,159,072</u></b>	<b><u>\$ 1,265,892</u></b>	<b><u>\$ 106,820</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 11,875	\$ 39,655
Total assets. . . . .	11,875	\$ 39,655
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 703
Loans payable. . . . .	-	20
Due to students. . . . .	-	38,932
Total liabilities . . . . .	-	\$ 39,655
<b>Net position:</b>		
Held in trust for scholarships . . . . .	11,875	
Total net position. . . . .	\$ 11,875	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 108
 <b>Deductions:</b>	
Scholarships awarded . . . . .	7,250
Change in net position . . . . .	(7,142)
<b>Net position at beginning of year. . . . .</b>	<b>19,017</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 11,875</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

The District ranks as the 217<sup>th</sup> largest by enrollment among the 1,001 public school districts and community schools in the State. It currently operates 3 elementary schools, 1 middle school and 1 high school. The District employs 157 certified and 98 classified full-time employees to provide services to approximately 2,242 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Gallia-Jackson-Vinton Joint Vocational School District

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

Gallia-Vinton Educational Service Center

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

Schools of Ohio Risk Sharing Authority

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

**B. Fund Accounting**

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*FIDUCIARY FUNDS*

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

**D. Basis of Accounting**

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

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

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, 2014**

**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 2014.
3. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
4. All funds, other than agency funds, are legally required to be budgeted and appropriated.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2014. 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 2014, the District had no investments. All monies of the pool were maintained in depository accounts with financial institutions.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 2014 amounted to \$26,559, which includes \$16,250 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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 2014. 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.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

<u>Description</u>	<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

**I. Interfund Balances**

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

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

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, 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, 2014 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

**L. Fund Balance**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

**M. Net Position**

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

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

**N. Prepayments**

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

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

**O. Estimates**

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

**P. Interfund Activity**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**Q. 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 2014.

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

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

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

A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
District managed student activity	\$ 25,352
Public school preschool	7,960
Title I	49,533
IDEA Part-B - preschool stimulus	2,217
Improving teacher quality	4,655
Miscellaneous federal grants	4,877

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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



**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$6,577,260. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$250,000 of the District's bank balance of \$6,760,483 was covered by the Federal Deposit Insurance Corporation, while \$6,510,483 was exposed to custodial risk as discussed below.

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

**B. Investments**

The District had no investments at June 30, 2014.

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	<u>\$ 6,577,260</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,525,730
Private-purpose trust fund	11,875
Agency fund	<u>39,655</u>
Total	<u>\$ 6,577,260</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the fiscal year ended June 30, 2014, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	<u>\$ 15,809</u>

Transfers are used to move revenues from the fund that statute or budget requires them to be collected in to the fund that statute or budget requires them to be expended from and to use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated on the government-wide statements.

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 111,716</u>

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

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

- C.** 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>\$ 20</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Gallia County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$92,764 in the general fund, \$32,392 in the debt service fund, \$5,471 in the permanent improvement fund (a nonmajor governmental fund) and \$2,185 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$87,117 in the general fund, \$31,343 in the debt service fund, \$5,216 in the permanent improvement fund (a nonmajor governmental fund) and \$2,090 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 236,581,140	94.85	\$ 238,326,320	94.72
Public utility personal	<u>12,842,470</u>	<u>5.15</u>	<u>13,293,120</u>	<u>5.28</u>
Total	<u>\$ 249,423,610</u>	<u>100.00</u>	<u>\$ 251,619,440</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$31.00		\$31.00	
Bond retirement	7.20		7.20	
Permanent improvements	1.50		1.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 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 position follows:

**Governmental activities:**

Taxes	\$ 7,677,522
Accounts	25,117
Intergovernmental	232,873
Loans	<u>20</u>
Total	<u>\$ 7,935,532</u>

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u>		<u>Balance</u>
	<u>06/30/13</u>	<u>Additions</u>	<u>06/30/14</u>
		<u>Deletions</u>	
<i>Capital assets, not being depreciated:</i>			
Land	\$ 1,179,750	\$ -	\$ 1,179,750
<i>Total capital assets, not being depreciated</i>	<u>1,179,750</u>	<u>-</u>	<u>1,179,750</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	2,483,733	-	2,483,733
Buildings and improvements	70,530,465	91,067	70,621,532
Equipment and furniture	3,677,366	28,750	3,706,116
Vehicles	2,146,900	258,801	2,405,701
<i>Total capital assets, being depreciated</i>	<u>78,838,464</u>	<u>378,618</u>	<u>79,217,082</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(911,233)	(103,052)	(1,014,285)
Buildings and improvements	(6,310,532)	(1,409,828)	(7,720,360)
Equipment and furniture	(1,079,706)	(245,125)	(1,324,831)
Vehicles	(1,786,326)	(109,958)	(1,896,284)
<i>Total accumulated depreciation</i>	<u>(10,087,797)</u>	<u>(1,867,963)</u>	<u>(11,955,760)</u>
Total capital assets, net	<u>\$ 69,930,417</u>	<u>\$ (1,489,345)</u>	<u>\$ 68,441,072</u>

Depreciation expense was charged to the governmental functions as follows:

<b><u>Instruction:</u></b>	
Regular	\$ 866,353
Special	360,742
Vocational	10,075
<b><u>Support services:</u></b>	
Pupil	103,438
Instructional staff	63,746
Board of Education	3,057
Administration	158,789
Fiscal	21,721
Operations and maintenance	86,867
Pupil transportation	109,958
Central	3,659
<b><u>Operation of non-instructional services:</u></b>	
Food service operations	44,075
Extracurricular activities	<u>35,483</u>
Total depreciation expense	<u>\$ 1,867,963</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>6/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/14</u>	<u>Amounts Due</u> <u>In One Year</u>
General obligation bonds, series 2006	\$ 4,340,000	\$ -	\$ (635,000)	\$ 3,705,000	\$ 660,000
Refunding bonds, series 2013					
Current interest bonds	16,800,000	-	(440,000)	16,360,000	390,000
Capital appreciation bonds	289,977	-	-	289,977	-
Accreted interest	49,216	150,563	-	199,779	-
Compensated absences	<u>1,377,836</u>	<u>163,776</u>	<u>(94,031)</u>	<u>1,447,581</u>	<u>102,855</u>
Total	<u>\$ 22,857,029</u>	<u>\$ 314,339</u>	<u>\$ (1,169,031)</u>	22,002,337	<u>\$ 1,152,855</u>
Unamortized premium				<u>2,748,893</u>	
Total on statement of net position				<u>\$ 24,751,230</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. General Obligation Bonds, Series 2006**

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

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

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
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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
2015	\$ 660,000	\$ 152,335	\$ 812,335
2016	685,000	125,435	810,435
2017	715,000	93,860	808,860
2018	750,000	57,235	807,235
2019	785,000	21,608	806,608
2020	110,000	2,365	112,365
Total	<u>\$ 3,705,000</u>	<u>\$ 452,838</u>	<u>\$ 4,157,838</u>

**C. Refunding Bonds, Series 2013**

On December 27, 2012, the District issued general obligation refunding bonds (Series 2013, refunding bonds). These bonds refunded the \$17,090,000 callable portion of the Series 2006 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The source of payment is derived from a current 7.2 mil bonded debt tax levy. The balance of the refunded current interest bonds at June 30, 2014 is \$3,705,000.

This issue is comprised of current interest bonds, par value \$16,360,000 at June 30, 2014, and capital appreciation bonds, par value \$289,977. The capital appreciation bonds mature December 1, 2015, 2016, 2017, 2018, 2019, 2020 and 2028 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$3,760,000. Total accreted interest of \$199,779 has been included on the statement of net position at June 30, 2014.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2034.

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

Fiscal Year Year Ended	Series 2013 Current Interest Bonds			Series 2013 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 390,000	\$ 397,306	\$ 787,306	\$ -	\$ -	\$ -
2016	225,000	393,669	618,669	47,360	117,640	165,000
2017	220,000	390,332	610,332	30,921	134,079	165,000
2018	225,000	386,993	611,993	20,189	144,811	165,000
2019	225,000	383,056	608,056	13,182	151,818	165,000
2020 - 2024	3,960,000	1,778,330	5,738,330	169,391	1,960,609	2,130,000
2025 - 2029	5,835,000	1,153,141	6,988,141	8,934	961,066	970,000
2030 - 2033	5,280,000	313,950	5,593,950	-	-	-
Total	<u>\$ 16,360,000</u>	<u>\$ 5,196,777</u>	<u>\$ 21,556,777</u>	<u>\$ 289,977</u>	<u>\$ 3,470,023</u>	<u>\$ 3,760,000</u>

**D. Legal Debt Margins**

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

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

In accordance with the above calculations, as of June 30, 2014, the District has a legal voted debt margin of \$3,922,020, the legal unvoted debt margin was \$251,619, and the legal energy conservation debt margin was \$2,264,575.

**NOTE 10 - RISK MANAGEMENT**

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

During fiscal year 2014, the District purchased general liability insurance through the Schools of Ohio Risk Sharing Authority (SORSA), which carried a \$12 million per occurrence and \$14 million annual aggregate limitation.

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



**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 10 - RISK MANAGEMENT – (Continued)**

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 2014, 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 District 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 "Employers/Audit Resources".

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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$335,456, \$326,984 and \$324,173, respectively; 80.67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$1,192,994, \$1,236,002 and \$1,249,428, respectively; 84.29 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$37,069 made by the District and \$29,126 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, 2014 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. District Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the District 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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 "*Employers/Audit Resources*".

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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$45,945, \$41,080 and \$51,387, respectively; 80.67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$19,462, \$18,471 and \$19,144, respectively; 80.67 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 2014, 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, 2014, 2013 and 2012 were \$91,769, \$95,077 and \$96,110, respectively; 84.29 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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, 2014

**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	\$ (401,346)
Net adjustment for revenue accruals	8,512
Net adjustment for expenditure accruals	851,483
Net adjustment for other sources/uses	(146,827)
Funds budgeted elsewhere	(59,396)
Adjustment for encumbrances	(441,671)
GAAP basis	\$ (189,245)

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.

**NOTE 15 - SET-ASIDES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 15 - SET-ASIDES - (Continued)**

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	365,736
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(367,615)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (1,879)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

During a prior fiscal year, the District issued \$25,000,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$23,197,889 at June 30, 2014.

**NOTE 16 - 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	\$ 319,764
Other governmental	<u>237,316</u>
Total	<u><u>\$ 557,080</u></u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Agriculture:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2014	10.555	\$ 13,845	\$ 13,845
Cash Assistance:				
School Breakfast Program	2014	10.553	145,105	145,105
National School Lunch Program	2014	10.555	436,894	436,894
Cash Assistance Subtotal			<u>581,999</u>	<u>581,999</u>
Total Child Nutrition Cluster			<u>595,844</u>	<u>595,844</u>
Total U.S. Department of Agriculture			595,844	595,844
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	102,542	112,915
	2014	84.010	744,246	701,498
Total Title I Grants to Local Educational Agencies			<u>846,788</u>	<u>814,413</u>
Special Education Cluster:				
Special Education - Grants to States	2013	84.027	46,258	76,576
	2014	84.027	467,233	406,468
Total Special Education - Grants to States			<u>513,491</u>	<u>483,044</u>
Special Education - Preschool Grants	2013	84.173	(204)	702
	2014	84.173	14,042	15,872
Total Special Education - Preschool Grants			<u>13,838</u>	<u>16,574</u>
Total Special Education Cluster			527,329	499,618
Rural Education	2014	84.358	33,375	29,575
ARRA - Race to the Top Incentive Grants	2013	84.395	55,551	40,325
	2014	84.395	112,247	90,985
Total ARRA - Race to the Top Incentive Grants			<u>167,798</u>	<u>131,310</u>
Improving Teacher Quality State Grants	2013	84.367	15,216	17,986
	2014	84.367	140,241	128,779
Total Improving Teacher Quality State Grants			<u>155,457</u>	<u>146,765</u>
Total U.S. Department of Education			<u>1,730,747</u>	<u>1,621,681</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 2,326,591</u></b>	<b><u>\$ 2,217,525</u></b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.*

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DONATION**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Special Education - Preschool Grants	84.173	(\$204)





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District, Gallia County, Ohio (the District), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 23, 2015.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 23, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Gallipolis City School District's, Gallia County, Ohio (the District), compliance with the applicable 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 the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on Special Education Cluster***

As described in finding 2014-001 in the accompanying Schedule of Findings the District did not comply with requirements regarding cash management applicable to its Special Education Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

***Qualified Opinion on Special Education Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster* paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster for the year ended June 30, 2014.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2014.

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

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

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 23, 2015

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**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	
	<ul style="list-style-type: none"> <li>• Improving Teacher Quality State Grants – CFDA #84.367 – Unmodified</li> <li>• Special Education Cluster – CFDA #84.027 and #84.173 – Qualified</li> </ul>	
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	
	<ul style="list-style-type: none"> <li>• Improving Teacher Quality State Grants – CFDA #84.367</li> <li>• Special Education Cluster – CFDA #84.027 and #84.173</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: All others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2014-001
<b>CFDA Title and Number</b>	Special Education – Grants to States, CFDA #84.027
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance – Cash Management**

34 CFR Part 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 CFR Part 80.20(b)(7) states, in part, that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR Part 80.21). To receive approval consideration, cash requests must be made for immediate needs for the month requested. Ohio Department of Education Project Cash Request Instructions require that payments be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the “Cash Management Act” 31 CFR Part 205, the time elapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds MUST be expended within the period of time for which cash is requested.

The District received Special Education - Grants to States Funds through the Ohio Department of Education. The District submitted Project Cash Request Forms approximately once a month. The District must spend advances within 30 days or by the end of the month, whichever occurs first.

The District did not expend Special Education - Grants to States funds by the required 30 days for six of the eight advances received in fiscal year 2014.

While imputed interest was not excessive, we note that failure to timely expend funds can result in excessive interest earned and questioned costs.

We recommend the District Treasurer review fund balances periodically to ensure that all federal receipts are expended within the required period.

**Officials’ Response:** The Assistant Treasurer has already put practices in place that will prevent this from happening in the future.



GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2013-001	Significant deficiency regarding encumbrances being included in cash basis expenditures in the trial balances.	Yes	

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The Assistant Treasurer has already put practices in place that will prevent this from happening in the future.	Immediately	Assistant Treasurer



# 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  
APRIL 2, 2015**