

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001***

ELLEN MARPLE, TREASURER



STATE OF OHIO
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Board of Education
Gallipolis City School District
61 State Street
Gallipolis, Ohio 45631

We have reviewed the Independent Auditor's Report of the Gallipolis City School District, Gallia County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 31, 2001

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

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Gallipolis City School District, Gallia County (the "District"), as of and for the fiscal year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gallipolis City School District, Gallia County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
December 13, 2001

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Agency		General	Long-Term Obligations
										Fixed Assets	
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$1,942,594	\$610,384	\$650	\$587,902	\$234,040	\$47,317			\$3,422,887		
Receivables (net of allowances of uncollectibles):											
Property taxes - current & delinquent	3,934,924		112,520						4,047,444		
Accounts	4,468	80			78				4,626		
Due from other governments	26,880								26,880		
Prepayments	9,326	770			47				10,143		
Materials and supplies inventory	77,624				8,119				85,743		
Restricted assets:											
Equity in pooled cash and cash equivalents	336,901								336,901		
Property, plant and equipment (net of accumulated depreciation where applicable)					61,672		\$9,359,226		9,420,898		
OTHER DEBITS:											
Amount available in Debt Service Fund								\$3,178	3,178		
Amount to be provided for retirement of General Long-Term Obligations								1,832,503	1,832,503		
Total assets and other debits	\$6,332,717	\$611,234	\$113,170	\$587,902	\$303,956	\$47,317	\$9,359,226	\$1,835,681	\$19,191,203		

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Agency		General	Long-Term Obligations
										Fixed Assets	
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$160,093	\$18,181			\$13,046				\$191,320		
Accrued wages and benefits	1,184,036	212,323			37,039				1,433,398		
Compensated absences payable	23,567				30,839		\$1,449,709		1,504,115		
Pension obligation payable	197,248	26,551			13,970		66,172		303,941		
Deferred revenue	3,846,525		\$109,992	\$10,000	5,182				3,971,699		
Due to students						\$47,317			47,317		
Energy conservation notes payable							319,800		319,800		
Total liabilities	5,411,469	257,055	109,992	10,000	100,076	47,317	1,835,681		7,771,590		
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets								\$9,359,226	9,359,226		
Retained earnings: unreserved					203,880				203,880		
Fund balances:											
Reserved for encumbrances	533,400	58,676			48				592,124		
Reserved for materials and supplies inventory	77,624								77,624		
Reserved for prepayments	9,326	770							10,096		
Reserved for debt service			650						650		
Reserved for tax revenue unavailable for appropriation	88,399								88,399		
Reserved for instructional materials	185,523								185,523		
Reserved for capital maintenance	76,457								76,457		
Reserved for BWC refunds	74,921								74,921		
Designated for budget stabilization	12,630								12,630		
Unreserved-undesignated	(137,032)	294,733		577,854					735,555		
Total equity and other credits	921,248	354,179	3,178	577,902	203,880		9,359,226		11,419,613		
Total liabilities, equity and other credits	\$6,332,717	\$611,234	\$113,170	\$587,902	\$303,956	\$47,317	\$9,359,226	\$1,835,681	\$19,191,203		

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$3,924,616		\$147,493		\$4,072,109
Tuition	10,702				10,702
Earnings on investments.	227,041				227,041
Other local revenues.	144,303	\$264,225		\$570	409,098
Other revenues.		3,000			3,000
Intergovernmental - State.	8,060,343	1,065,989		24,000	9,150,332
Intergovernmental - Federal	54,950	1,083,285			1,138,235
Total revenues	12,421,955	2,416,499	147,493	24,570	15,010,517
Expenditures:					
Current:					
Instruction:					
Regular.	5,767,835	1,027,712		93,603	6,889,150
Special	1,523,014	591,596			2,114,610
Vocational	315,201				315,201
Support services:					
Pupil	649,828	13,168			662,996
Instructional staff.	299,740	446,586			746,326
Board of Education.	25,128				25,128
Administration	1,180,958	64,802			1,245,760
Fiscal	303,220				303,220
Operations and maintenance	1,164,988	13,666			1,178,654
Pupil transportation.	1,174,992				1,174,992
Central	57,608	30,353			87,961
Extracurricular activities.	210,022	180,791			390,813
Facilities services	10,476				10,476
Debt service:					
Principal retirement			132,000		132,000
Interest and fiscal charges.			21,727		21,727
Total expenditures	12,683,010	2,368,674	153,727	93,603	15,299,014
Excess of revenues over (under) expenditures.	(261,055)	47,825	(6,234)	(69,033)	(288,497)
Other financing sources (uses):					
Operating transfers in		15			15
Operating transfers (out)	(15)				(15)
Proceeds from sale of assets	15,539				15,539
Total other financing sources.	15,524	15			15,539
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(245,531)	47,840	(6,234)	(69,033)	(272,958)
Fund balance, July 1	1,167,368	306,339	9,412	646,935	2,130,054
Decrease in reserve for inventory	(589)				(589)
Fund balance, June 30	\$921,248	\$354,179	\$3,178	\$577,902	\$1,856,507

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,495,000	\$4,047,904	\$552,904				\$155,392	\$154,377	(\$1,015)						
Tuition.....	9,584	9,624	40												
Entertainment.....	226,087	227,041	954												
Earnings on investments.....	100,261	100,684	423												
Other local revenues.....				\$259,944	\$2,641,145	\$4,201						\$0	\$570	\$570	
Other revenue.....				2,952	3,000	48									
Intergovernmental - State.....	8,028,008	8,061,894	33,886	1,018,454	1,064,989	46,535									
Intergovernmental - Federal.....	31,598	31,731	133	1,064,706	1,083,285	18,579									
Total revenues.....	11,890,538	12,478,878	588,340	2,346,056	2,415,419	69,363	155,392	154,377	(1,015)						
Expenditures:															
Current:															
Instruction:															
Regular.....	5,893,882	6,092,147	(198,265)	1,136,073	994,578	141,495									
Special.....	1,548,335	1,600,419	(52,084)	716,808	619,187	97,621									
Vocational.....	313,634	324,184	(10,550)												
Support services:															
Pupil.....	664,696	687,056	(22,360)	15,745	13,601	2,144									
Instructional staff.....	297,567	307,577	(10,010)	543,000	469,050	73,950									
Board of Education.....	26,826	27,728	(902)												
Administration.....	1,185,163	1,225,030	(39,867)	77,209	66,694	10,515									
Fiscal.....	309,450	319,860	(10,410)												
Operations and maintenance.....	1,275,860	1,318,778	(42,918)	28,834	24,907	3,927									
Pupil transportation.....	1,206,041	1,246,611	(40,570)												
Central.....	52,276	54,034	(1,758)	40,405	34,902	5,503									
Extracurricular activities.....	205,371	212,279	(6,908)	220,805	190,734	30,071									
Facilities services.....	20,884	21,587	(703)												
Debt service:															
Principal retirement.....				132,000	132,000	0									
Interest and fiscal charges.....				22,130	21,727	403									
Total expenditures.....	12,999,985	13,437,290	(437,305)	2,778,879	2,413,653	365,226	154,130	153,727	403	263,731	97,767	165,964	16,196,725	16,102,437	94,288
Excess of revenues over (under) expenditures.....	(1,109,447)	(958,412)	151,035	(432,823)	1,766	434,589	1,262	650	(612)	(263,731)	(63,197)	200,534	(1,804,739)	(1,019,193)	785,546
Other financing sources (uses):															
Refund of prior year's (receipts).....	42,678	42,858	180	(19,985)	(17,263)	2,722									
Transfers in.....				15	15	0									
Transfers out.....	(15)	(15)	0												
Proceeds from sale of assets.....	15,474	15,539	65												
Total other financing sources (uses).....	58,137	58,382	245	(19,970)	(17,248)	2,722									
Excess of revenues and other financing sources over (under) expenditures and other financing (uses):	(1,051,310)	(900,030)	151,280	(452,793)	(15,482)	437,311	1,262	650	(612)	(263,731)	(63,197)	200,534	(1,766,572)	(978,059)	788,513
Fund balances, July 1.....	1,904,564	1,904,564	0	398,065	398,065	0	0	0	0	596,281	596,281	0	2,898,910	2,898,910	0
Prior year encumbrances appropriated.....	583,110	583,110	0	152,544	152,544	0	0	0	0	54,770	54,770	0	790,424	790,424	0
Fund balances, June 30.....	\$1,436,364	\$1,587,644	\$151,280	\$97,816	\$535,127	\$437,311	\$1,262	\$650	(\$612)	\$387,320	\$587,854	\$200,534	\$1,922,762	\$2,711,275	\$788,513

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$41,925
Sales/charges for services	225,135
Other operating revenues	685
Total operating revenues	267,745
Operating expenses:	
Personal services	279,804
Contract services	23,016
Materials and supplies	309,422
Depreciation	7,822
Other	1,020
Total operating expenses	621,084
Operating loss	(353,339)
Nonoperating revenues:	
Operating grants	248,867
Federal commodities	37,075
Interest revenue	9,566
Total nonoperating revenues	295,508
Net loss	(57,831)
Retained earnings, July 1	261,711
Retained earnings, June 30	\$203,880

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$41,925
Cash received from sales/service charges.	225,135
Cash received from other operations	607
Cash payments for personal services	(267,128)
Cash payments for contract services	(22,607)
Cash payments for supplies and materials	(287,810)
Cash payments for other expenses	(1,020)
	(310,898)
Cash flows from noncapital financing activities:	
Cash received from operating grants	248,867
	248,867
Net cash provided by noncapital financing activities	248,867
Cash flows from capital and related financing activities:	
Acquisition of capital assets.	(12,400)
	(12,400)
Net cash used in capital and related financing activities	(12,400)
Cash flows from investing activities:	
Interest received.	9,566
	9,566
Net cash provided by investing activities	9,566
Net decrease in cash and cash equivalents	(64,865)
Cash and cash equivalents at beginning of year	298,905
Cash and cash equivalents at end of year.	\$234,040
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	(\$353,339)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation.	7,822
Federal donated commodities	37,075
Changes in assets and liabilities:	
Increase in supplies inventory	(538)
Increase in accounts receivable	(78)
Increase in prepayments	(47)
Decrease in accounts payable	(14,289)
Increase in accrued wages & benefits	4,302
Increase in compensated absences payable.	8,665
Decrease in pension obligation payable	(291)
Decrease in deferred revenue.	(180)
	(310,898)
Net cash used in operating activities	(\$310,898)

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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 217th largest by enrollment among the 682 public and community districts in the State. It currently operates 3 elementary schools and 1 comprehensive high school. The District employs 76 non-certified and 160 certified (including 22 administrative) full-time and part-time employees to provide services to approximately 2,438 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

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

POTENTIAL COMPONENT UNIT REPORTED AS AGENCY FUNDS

Southeast Ohio Area Media Center (SOAMC)

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

JOINTLY GOVERNED ORGANIZATION

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance (and recognized as revenue), but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

**GALLIPOLIS CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations can not exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Gallia County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 in the following amounts:

	<u>Increase/(Decrease)</u>
Special Revenue Funds	\$ 77,618
Debt Service Fund	(1,262)
Capital Projects Funds	34,000
Enterprise Funds	<u>25,900</u>
 Total Net Increase	 <u>\$136,256</u>

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 10.

E. Cash and Investments

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

During 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 2001 totaled \$227,041, which included \$82,211 assigned from other funds of the District.

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

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

F. Materials and Supplies Inventory

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

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

G. Prepayments

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

2. Proprietary Funds

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

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

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

I. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Reimbursable Grants

Proprietary Funds

National School Lunch Program
School Breakfast Program
Government Donated Commodities

General Fund

Driver Education
Vocational Education
School Bus Purchases

Special Revenue Funds

Telecommunications Grant

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Non-Reimbursable Grants

Special Revenue Funds

Safe and Drug-Free School Grant
Preschool for the Handicapped
School to Work
Venture Capital
Goals 2000
Instructional Materials Subsidy
Education for Economic Security
Teacher Development
Teenage Pregnancy Prevention
Management Information Systems
Classroom Reduction
Ohio Reads
Special Education Transition Funding
Title VI-B
Title I

Non-Reimbursable Grants - (Continued)

Special Revenue Funds - (Continued)

Title VI
SchoolNet Professional Development
Alternative School Grant
Community Alternative Funding System
Extended Learning Opportunity

Capital Projects Funds

SchoolNet
Technology Equity
Emergency Building Repair

Grants and entitlements amounted to over 68% of the District's operating revenue during the 2001 fiscal year.

J. Compensated Absences

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

**GALLIPOLIS CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

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

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

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

K. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources; however, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

L. Fund Equity

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

Designated fund balance represents planned actions for monies set-a-side by the District for budget stabilization.

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund, which provides a service records revenue, and the fund, which receives that service records an expenditure/expense.

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

N. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>	<u>Budget Stabilization Designated</u>
Set-aside cash balance as of 7/1/00	\$ 193,118	\$ 162,703	\$ 0	\$ 85,273
Current year set-aside requirement	254,311	254,311		2,278
Change in statutory requirements			74,921	(74,921)
Qualifying disbursements	<u>(261,906)</u>	<u>(340,557)</u>	<u> </u>	<u> </u>
Total, June 30, 2001	<u>\$ 185,523</u>	<u>\$ 76,457</u>	<u>\$ 74,921</u>	<u>\$ 12,630</u>
Cash balance carried forward to FY 2002	<u>\$ 185,523</u>	<u>\$ 76,457</u>	<u>\$ 74,921</u>	<u>\$ 12,630</u>

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for instructional materials	\$185,523
Amount restricted for capital maintenance	76,457
Amount restricted for BWC refunds	<u>74,921</u>
Total restricted assets	<u>\$336,901</u>

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

O. Statement of Cash Flows

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

P. Financial Reporting for Proprietary and Similar Fund Types

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

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside for instructional materials, capital maintenance and BWC refunds. These reserves are required by State statute. Fund balance reserves have also been established. See Note 2.N. for statutory reserves.

R. Estimates

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

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

S. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances

Fund balances at June 30, 2001, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
EHA Preschool Grant for the Handicapped	\$(11)

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

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

**GALLIPOLIS CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Deposits: At year-end, the carrying amount of the District’s deposits was \$(53,836) and the bank balance was \$235,387 (both amounts include payroll clearance accounts). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$135,387 was held in collateral pools with no specification for whom such funds are held which is considered to be uninsured and uncollateralized as defined by GASB Statement No. 3. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category 3	Fair Value
Repurchase Agreement	\$66,610	\$ 66,610
Not Subject to Categorization:		
Investment in State		
Treasurer’s Investment Pool	_____	3,747,014
Total Investments	\$66,610	\$3,813,624

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

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 3,759,788	\$ 0
Repurchase Agreement	(66,610)	66,610
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(3,747,014)	3,747,014
GASB Statement No. 3	\$ (53,836)	\$3,813,624

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for 2001:

Fund	Transfers In	Transfers (Out)
<u>General Fund</u>		\$(15)
<u>Special Revenue Fund Type:</u>		
Title I	\$15	—
Total	\$15	\$(15)

NOTE 6 - PROPERTY TAXES

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	<u>2000 Second-Half Collections</u>		<u>2001 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$138,149,850	78.70	\$161,531,800	82.84
Public Utility Personal	14,726,300	8.39	11,616,670	5.96
Tangible Personal Property	<u>22,658,327</u>	<u>12.91</u>	<u>21,842,654</u>	<u>11.20</u>
	<u>\$175,534,477</u>	<u>100.00</u>	<u>\$194,991,124</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$27.20		\$27.20	

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001, totaled \$88,399 in the General fund and \$2,528 in the Debt Service fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$3,934,924
Due from other governments	26,880
<u>Debt Service Fund</u>	
Taxes - Current and Delinquent	112,520

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2001</u>
Land and Buildings	\$3,875,617	\$295,939		\$4,171,556
Furniture/Equipment	3,119,557	354,069	\$(35,912)	3,437,714
Vehicles	<u>1,445,517</u>	<u>309,439</u>	<u>(5,000)</u>	<u>1,749,956</u>
Total	<u>\$8,440,691</u>	<u>\$959,447</u>	<u>\$(40,912)</u>	<u>\$9,359,226</u>

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 234,550
Less: Accumulated Depreciation	<u>(172,878)</u>
Net Fixed Assets	<u>\$ 61,672</u>

NOTE 9 - LONG-TERM DEBT

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

The following is a description of the District's notes outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Notes</u> <u>Outstanding</u> <u>07/01/00</u>	<u>Retired in</u> <u>Fiscal 2001</u>	<u>Notes</u> <u>Outstanding</u> <u>06/30/01</u>
Energy Conservation Note	6.25%	12/05/91	12/01/01	\$115,800	\$ (76,000)	\$ 39,800
Energy Conservation Note	5.38%	5/01/97	5/01/06	<u>336,000</u>	<u>(56,000)</u>	<u>280,000</u>
Total				<u>\$451,800</u>	<u>\$(132,000)</u>	<u>\$319,800</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM DEBT - (Continued)

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

<u>Year Ending June 30</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2002	\$ 95,800	\$15,555	\$111,355
2003	56,000	11,298	67,298
2004	56,000	8,285	64,285
2005	56,000	5,272	61,272
2006	<u>56,000</u>	<u>2,260</u>	<u>58,260</u>
Total	<u>\$319,800</u>	<u>\$42,670</u>	<u>\$362,470</u>

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation payable will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Compensated Absences	\$1,432,276	\$192,250	\$(174,817)	\$1,449,709
Pension Obligation Payable	70,253	66,172	(70,253)	66,172
Energy Conservation Notes	<u>451,800</u>	<u> </u>	<u>(132,000)</u>	<u>319,800</u>
TOTAL	<u>\$1,954,329</u>	<u>\$258,422</u>	<u>\$(377,070)</u>	<u>\$1,835,681</u>

D. Legal Debt Margin

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

The effects of these debt limitations for the District at June 30, 2001, are a voted debt margin of \$17,552,379 (including available funds of \$3,178), an unvoted debt margin of \$194,991, and an unvoted energy conservation debt margin of \$1,435,120.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Special Enterprises. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Enterprises</u>	<u>Total</u>
Operating Revenue	\$ 225,135	\$ 42,289	\$ 321	\$ 267,745
Depreciation	7,822			7,822
Operating Income (Loss)	(336,274)	(17,339)	274	(335,339)
Non-operating Revenues:				
Donated federal commodities	37,075			37,075
Operating grants	248,867			248,867
Net Income (Loss)	(40,766)	(17,339)	274	(57,831)
Net Working Capital	143,145	7,344	22,558	173,047
Total Assets	266,707	14,691	22,558	303,956
Long-term Liabilities Payable from Operating Revenues	30,839			30,839
Total Fund Equity	173,978	7,344	22,558	203,880
Encumbrances at 6/30/01	6,157	12,945		19,102

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 11 - RISK MANAGEMENT

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

During fiscal year 2001, the District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limitation.

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

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$237,264, \$208,702, and \$193,556, respectively; 53% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$110,676, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,075,537, \$1,010,170, and \$974,526, respectively; 83% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$181,860, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$230,918 during the 2001 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$98,580 during the 2001 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

**GALLIPOLIS CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

	Governmental Fund Types			
	General <u>Fund</u>	Special Revenue <u>Funds</u>	Debt Service <u>Fund</u>	Capital Projects <u>Funds</u>
Budget Basis	\$(900,030)	\$(15,482)	\$ 650	\$(63,197)
Net Adjustment for Revenue Accruals	(56,923)	1,080	(6,884)	(10,000)
Net Adjustment for Expenditure Accruals	62,429	(34,803)		4,116
Net Adjustment for Other Financing Sources/(Uses)	(42,858)	2,523		
Net Adjustment for Fund Reclassification		19,265		
Adjustment for Encumbrances	<u>691,851</u>	<u>75,257</u>	_____	<u>48</u>
GAAP Basis	<u>\$(245,531)</u>	<u>\$ 47,840</u>	<u>\$(6,234)</u>	<u>\$(69,033)</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 15 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

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

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 15 - CONTINGENCIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 13, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

SUPPLEMENTAL DATA

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**GALLIPOLIS CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Grant Cluster:						
(A), (D) Food Distribution	10.550	N/A		\$36,835		\$37,075
(B), (D) School Breakfast Program	10.553	044032-05-PU-01	\$49,484		\$49,484	
(B), (D) National School Lunch Program	10.555	044032-LL-P1-01	181,741		181,741	
Total Nutrition Cluster and U. S. Department of Agriculture			<u>231,225</u>	<u>36,835</u>	<u>231,225</u>	<u>37,075</u>
U. S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(G) School-to-Work Grant	17.249	N/A	800		800	
(F) School-to-Work Grant	17.249	N/A	0		693	
Total U.S. Department of Labor			<u>800</u>		<u>1,493</u>	
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I	84.010	044032-C1-S1-01	525,765		419,626	
Title I	84.010	044032-C1-S1-00	125,475		171,214	
Total Title I			<u>651,240</u>		<u>590,840</u>	
Special Education Grant Cluster:						
(E) Title VI-B Handicapped	84.027	044032-6B-SF-01	0		47,561	
(E) Title VI-B Handicapped	84.027	044032-6B-SF-00	214,097		163,803	
Total Handicapped			<u>214,097</u>		<u>211,364</u>	
(E) Title VI-B Handicapped Preschool	84.173	044032-PG-S1-00 P	14,244		13,541	
(E) Title VI-B Handicapped Preschool	84.173	044032-PG-S1-99 P	(137)		2,192	
Total Handicapped Preschool			<u>14,107</u>		<u>15,733</u>	
Total Special Education Grant Cluster:			<u>228,204</u>		<u>227,097</u>	
Safe and Drug Free Schools	84.186	044032-DR-S1-01	10,448		7,468	
Safe and Drug Free Schools	84.186	044032-DR-S1-00	0		266	
Safe and Drug Free Schools	84.186A	044032-DR-S1-00	0		620	
Safe and Drug Free Schools	84.186A	044032-DR-S1-01	31,509		31,108	
Total Safe and Drug Free Schools			<u>41,957</u>		<u>39,462</u>	
GOALS 2000	84.276	044032-G2-S2-01	14,000		1,392	
GOALS 2000	84.276	044032-G2-S2-00	21,000		21,000	
Total GOALS 2000			<u>35,000</u>		<u>22,392</u>	
Eisenhower Professional Development Grant	84.281	044032-MS-S1-01	12,613		9,902	
Eisenhower Professional Development Grant	84.281	044032-MS-S1-00	0		13,650	
Eisenhower Professional Development Grant	84.281	044032-MS-S1-99	0		5,304	
Total Eisenhower Professional Development Grant			<u>12,613</u>		<u>28,856</u>	
Innovative Education Program Strategies	84.298	044032-C2-S1-01	17,110		13,679	
Innovative Education Program Strategies	84.298	044032-C2-S1-00	0		3,260	
Innovative Education Program Strategies	84.298	044032-C2-S1-99	0		1,044	
Total Innovative Educational Program Strategies			<u>17,110</u>		<u>17,983</u>	
Title VI-R	84.340	044032-CR-S1-01	82,617		66,672	
Title VI-R	84.340	044032-CR-S1-00	1,222		22,837	
Total Title VI-R			<u>83,839</u>		<u>89,509</u>	
Total U. S. Department of Education			<u>1,069,963</u>		<u>1,016,139</u>	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System	93.778	N/A	31,731		31,731	
Total U.S. Department of Health and Human Services			<u>31,731</u>		<u>31,731</u>	
Total Federal Financial Assistance			<u>\$1,333,719</u>	<u>\$36,835</u>	<u>\$1,280,588</u>	<u>\$37,075</u>

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

- (E) Included as part of "Special Education Cluster" in determining major programs.
 (F) Passed through the Gallia County.
 (G) Passed through the Gallia County Local School District.

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the general purpose financial statements of Gallipolis City School District as of and for the fiscal year ended June 30, 2001, and have issued our report thereon dated December 13, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Board of Education
Gallipolis City School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gallipolis City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Gallipolis City School District in a separate letter dated December 13, 2001.

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

Trimble, Julian & Grube, Inc.
December 13, 2001

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Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of Gallipolis City School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2001. Gallipolis City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Gallipolis City School District's management. Our responsibility is to express an opinion on Gallipolis City School District's compliance based on our audit.

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

Board of Education
Gallipolis City School District

In our opinion, Gallipolis City School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the fiscal year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
December 13, 2001

**GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY
JUNE 30, 2001**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

**GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY
JUNE 30, 2001**

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

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I, CFDA #84.010; Nutrition Grant Cluster: Food Distribution; CFDA#10.550, School Breakfast Program; CFDA#10.553, National School Lunch Program; CFDA#10.555
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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GALLIPOLIS CITY SCHOOL DISTRICT

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2002**