

Gallipolis City School District  
Gallia County, Ohio

Single Audit

July 1, 2008 through June 30, 2009  
Fiscal Years Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 5, 2010

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Gallipolis City School District  
Gallipolis, Ohio  
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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District (the School District), Gallia County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

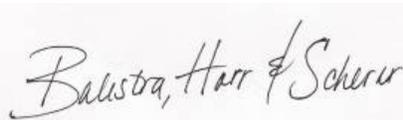
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District, Gallia County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is 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 basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.



Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

The discussion and analysis of the Gallipolis City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- The District net assets of governmental activities decreased \$320,849 which represents a 0.71% decrease from 2008.
- General revenues accounted for \$18,275,527 in revenue or 75.07% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,069,597 or 24.93% of total revenues of \$24,345,124.
- The District had \$24,665,973 in expenses related to governmental activities; only \$6,069,597 was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,275,527 were not adequate to provide for these programs.
- The District had four major governmental funds during fiscal 2009. The general fund had \$17,797,309 in revenues and \$17,810,058 in expenditures and other financing uses. During fiscal 2009, the general fund's deficit fund balance increased \$61,557 from a deficit of \$102,031 to a deficit of \$163,588.
- The bond retirement fund had \$1,690,366 in revenues and \$1,609,139 in expenditures. During fiscal 2009, the bond retirement fund's fund balance increased \$81,227 from \$658,267 to \$739,494.
- The building fund had \$34,290 in revenues and \$4,067,071 in expenditures. During fiscal 2009, the building fund's fund balance decreased \$4,032,781 from \$4,269,934 to \$237,153.
- The classroom facilities fund had \$14,176,535 in revenues and \$11,910,506 in expenditures. During fiscal 2009, the classroom facilities fund's fund balance increased \$2,266,029 from \$26,208,186 to \$28,474,215.

**Using the Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

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

***Governmental Funds***

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

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

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

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

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

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Assets</u></b>		
Current and other assets	\$ 47,735,432	\$ 63,895,519
Capital assets, net	<u>32,497,070</u>	<u>16,960,841</u>
Total assets	<u>80,232,502</u>	<u>80,856,360</u>
<b><u>Liabilities</u></b>		
Current liabilities	9,877,897	9,844,310
Long-term liabilities	<u>25,692,228</u>	<u>26,028,824</u>
Total liabilities	<u>35,570,125</u>	<u>35,873,134</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	21,870,887	16,130,320
Restricted	24,447,804	30,552,849
Unrestricted (deficit)	<u>(1,656,314)</u>	<u>(1,699,943)</u>
Total net assets	<u>\$ 44,662,377</u>	<u>\$ 44,983,226</u>

The decrease in current and other assets was due to the use of cash for the construction projects. The increase in capital assets was due to the increase in construction in progress from the construction projects. The increase in invested in capital assets net of related debt was due to the items noted above. The decrease in restricted net assets was due to the use of cash received for the construction project.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$44,662,377. At year-end, restricted net assets were \$24,447,804.

At year-end, capital assets represented 40.50% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Total net assets invested in capital assets, net of related debt at June 30, 2009 were \$21,870,887. These capital assets are used to provide services to the students and are not available for future spending.

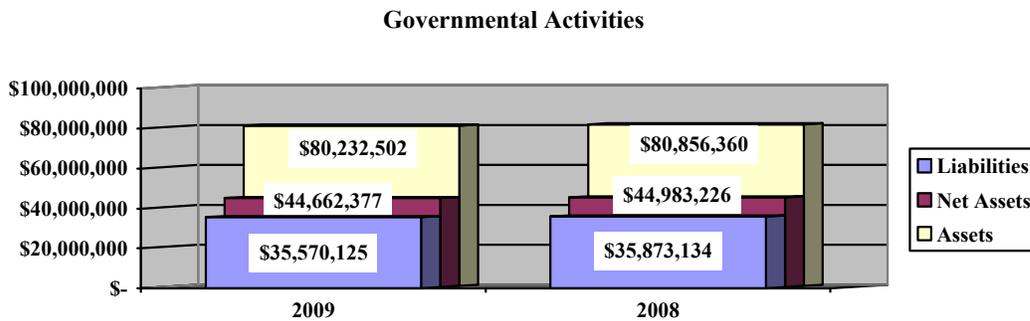
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$24,447,804, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,656,314.

The graph below illustrates the District's total assets, liabilities and net assets at June 30, 2009 and 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

	<b>Change in Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,837,033	\$ 1,887,073
Operating grants and contributions	4,200,865	4,171,787
Capital grants and contributions	31,699	28,771
General revenues:		
Property taxes	6,184,521	6,164,293
Grants and entitlements not restricted to specific programs	11,094,772	28,105,763
Investment earnings	832,283	1,728,826
Other	163,951	410,349
<b>Total revenues</b>	<b>\$ 24,345,124</b>	<b>\$ 42,496,862</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 9,306,152	\$ 9,234,160
Special	3,274,084	3,320,989
Vocational	100,663	135,892
Other	1,208,833	972,926
Support services:		
Pupil	1,137,376	1,056,619
Instructional staff	1,381,424	1,313,206
Board of education	24,715	30,226
Administration	1,848,855	1,763,419
Fiscal	457,400	469,261
Operations and maintenance	1,561,917	1,489,514
Pupil transportation	1,729,127	1,523,657
Central	78,964	148,434
Operations of non-instructional services	1,910	-
Food service operations	873,248	787,363
Extracurricular activities	594,154	567,584
Interest and fiscal charges	<u>1,087,151</u>	<u>1,103,037</u>
Total expenses	<u>24,665,973</u>	<u>23,916,287</u>
Change in net assets	(320,849)	18,580,575
Net assets at beginning of year	<u>44,983,226</u>	<u>26,402,651</u>
Net assets at end of year	<u>\$ 44,662,377</u>	<u>\$ 44,983,226</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$320,849. Total governmental expenses of \$24,665,973 were offset by program revenues of \$6,069,597 and general revenues of \$18,275,527. Program revenues supported 24.61% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 70.98% of total governmental revenue. Real estate property is reappraised every six years.

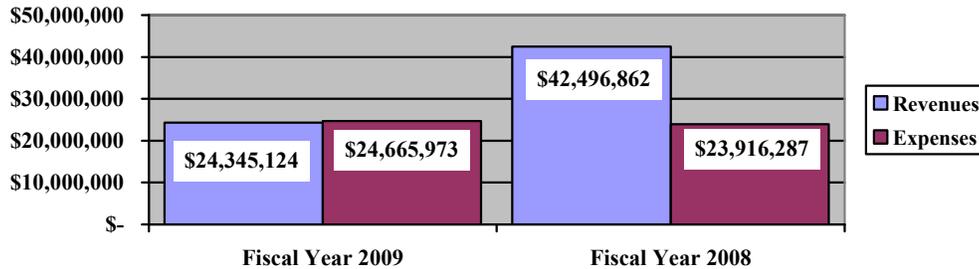
The decrease in grants and entitlements not restricted to specific programs is due to the School District recognizing the revenues from the construction project in fiscal year 2008 when the project was approved.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 9,306,152	\$ 6,701,964	\$ 9,234,160	\$ 6,386,251
Special	3,274,084	2,416,991	3,320,989	2,383,105
Vocational	100,663	100,663	135,892	135,892
Other	1,208,833	853,303	972,926	792,389
Support services:				
Pupil	1,137,376	1,036,926	1,056,619	941,980
Instructional staff	1,381,424	549,791	1,313,206	495,216
Board of education	24,715	24,715	30,226	30,226
Administration	1,848,855	1,805,270	1,763,419	1,722,443
Fiscal	457,400	376,041	469,261	395,259
Operations and maintenance	1,561,917	1,550,377	1,489,514	1,477,046
Pupil transportation	1,729,127	1,574,334	1,523,657	1,414,089
Central	78,964	69,849	148,434	140,328
Operations of non-instructional services	1,910	1,910	-	-
Food service operations	873,248	46,505	787,363	46,076
Extracurricular activities	594,154	400,586	567,584	365,319
Interest and fiscal charges	1,087,151	1,087,151	1,103,037	1,103,037
<b>Total expenses</b>	<u>\$ 24,665,973</u>	<u>\$ 18,596,376</u>	<u>\$ 23,916,287</u>	<u>\$ 17,828,656</u>

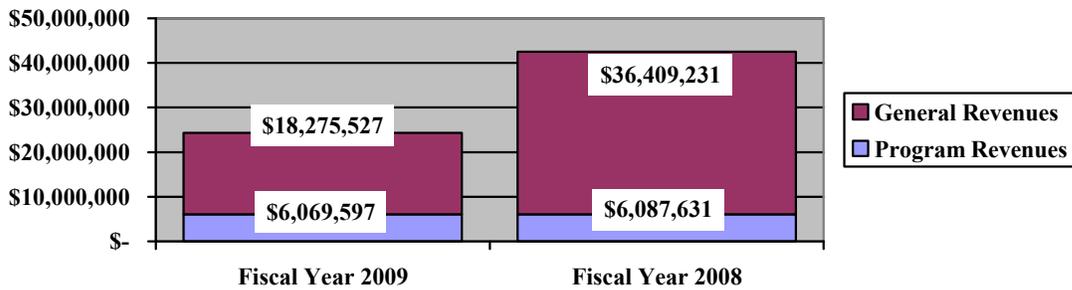
**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

The dependence upon tax and other general revenues for governmental activities is apparent, 72.52% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.39%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$32,164,292, which is lower than last year's total of \$33,924,536. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance (deficit) <u>June 30, 2009</u>	Fund Balance (deficit) <u>June 30, 2008</u>	Increase (Decrease)
General	\$ (163,588)	\$ (102,031)	\$ (61,557)
Bond retirement	739,494	658,267	81,227
Building	237,153	4,269,934	(4,032,781)
Classroom facilities	28,474,215	26,208,186	2,266,029
Other Governmental	<u>2,877,018</u>	<u>2,890,180</u>	<u>(13,162)</u>
Total	<u>\$ 32,164,292</u>	<u>\$ 33,924,536</u>	<u>\$ (1,760,244)</u>

**General Fund**

The District's general fund deficit balance increased \$61,557. The decrease in fund balance can be attributed to increasing revenues and expenditures. The general fund also transferred \$268,607 to other governmental funds. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,348,376	\$ 4,467,200	(2.66) %
Transportation fees	96,929	86,378	12.21 %
Tuition	1,183,166	1,241,528	(4.70) %
Earnings on investments	136,932	154,087	(11.13) %
Intergovernmental	11,954,474	10,913,875	9.53 %
Other revenues	<u>77,432</u>	<u>187,525</u>	(58.71) %
Total	<u>\$ 17,797,309</u>	<u>\$ 17,050,593</u>	4.38 %
<b><u>Expenditures</u></b>			
Instruction	\$ 10,657,908	\$ 10,717,632	(0.56) %
Support services	6,363,329	6,394,102	(0.48) %
Operation of non-instructional services	1,782	-	100.00 %
Extracurricular activities	305,266	316,833	(3.65) %
Facilities acquisition and construction	<u>213,166</u>	<u>7,530</u>	2,730.89 %
Total	<u>\$ 17,541,451</u>	<u>\$ 17,436,097</u>	0.60 %

***Bond Retirement Fund***

The bond retirement fund had \$1,690,366 in revenues and \$1,609,139 in expenditures. During fiscal 2009, the bond retirement fund's fund balance increased \$81,227 from \$658,267 to \$739,494.

***Building Fund***

The building fund had \$34,290 in revenues and \$4,067,071 in expenditures. During fiscal 2009, the building fund's fund balance decreased \$4,032,781 from \$4,269,934 to \$237,153.

***Classroom Facilities Fund***

The Classroom facilities fund had \$14,176,535 in revenues and \$11,910,506 in expenditures. During fiscal 2009, the classroom facilities fund's fund balance increased \$2,266,029 from \$26,208,186 to \$28,474,215.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2009, the District amended its general fund budget revenues. For the general fund, original budget revenues and other financing sources were \$16,500,000, which was lower than the final budget revenues and other financing sources of \$17,720,000. For fiscal 2009, actual revenues and other financing sources were \$17,920,285. This represents a \$200,285 increase over final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

General fund original budget expenditures and other financing uses (original appropriations plus prior year encumbrances appropriated) totaled \$16,682,503. Final budget expenditures and other financing uses (final appropriations plus prior year encumbrances appropriated) totaled \$18,432,503. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$18,440,383, which was \$7,880 more than the final budget expenditures and other financing uses; however, the excess was due to advances not being required to be budgeted.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2009, the District had \$32,497,070 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>
Land	\$ 986,120	\$ 986,120
Construction in progress	29,530,832	13,700,804
Land improvements	397,524	436,510
Building and improvements	741,562	785,599
Furniture and equipment	323,529	377,416
Vehicles	<u>517,503</u>	<u>674,392</u>
 Total	 <u>\$ 32,497,070</u>	 <u>\$ 16,960,841</u>

The overall increase in capital assets of \$15,536,229 is primarily due to capital outlays of \$15,880,561 exceeding depreciation expense of \$344,332 in fiscal 2009.

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

*Debt Administration*

At June 30, 2009 the District had \$23,730,000 in general obligation bonds outstanding. Of this total, \$540,000 is due within one year and \$23,190,000 is due within greater than one year. The following table summarizes the bonds outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Unaudited)

**Outstanding Debt, at Year End**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
General obligation bonds	\$ 23,730,000	\$ 24,200,000
Total	<u>\$ 23,730,000</u>	<u>\$ 24,200,000</u>

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

**Current Financial Related Activities**

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

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

On July 26, 2008 the district was approved for funding through the OSFC Classroom Facilities Assistance Program to move forward with renovating Washington Elementary and build new buildings for Green and Rio Grande Elementaries. The state will provide 66% of the funding or \$17,360,488. To provide the local funds necessary to support these projects a 7.2 mill bond issue was passed by the local taxpayers on November 8, 2005 by an unprecedented 71% passage rate. Also passed was a 1.5 mill permanent improvement levy.

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

**Contacting the District's Financial Management**

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

BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 17,555,988
Investments . . . . .	16,801,554
Receivables:	
Taxes . . . . .	7,989,119
Accounts . . . . .	22,480
Intergovernmental . . . . .	4,896,509
Accrued interest . . . . .	17,050
Prepayments . . . . .	126,589
Materials and supplies inventory . . . . .	58,994
Unamortized bond issue costs . . . . .	267,149
Capital assets:	
Land and construction in progress . . . . .	30,516,952
Depreciable capital assets, net . . . . .	1,980,118
Total capital assets, net . . . . .	32,497,070
 Total assets. . . . .	 80,232,502
<b>Liabilities:</b>	
Accounts payable. . . . .	135,037
Contracts payable. . . . .	454,193
Accrued wages and benefits . . . . .	1,508,973
Pension obligation payable. . . . .	422,553
Intergovernmental payable . . . . .	96,247
Unearned revenue . . . . .	7,175,696
Accrued interest payable . . . . .	85,198
Long-term liabilities:	
Due within one year. . . . .	664,107
Due within more than one year . . . . .	25,028,121
Total liabilities . . . . .	35,570,125
 Total liabilities . . . . .	 35,570,125
<b>Net Assets:</b>	
Invested in capital assets, net	
of related debt . . . . .	21,870,887
Restricted for:	
Capital projects . . . . .	21,971,549
Debt service. . . . .	801,079
Classroom facilities and maintenance. . . . .	430,857
State funded programs . . . . .	97,945
Federally funded programs . . . . .	107,317
Student activities . . . . .	40,438
Other purposes . . . . .	998,619
Unrestricted . . . . .	(1,656,314)
 Total net assets . . . . .	 \$ 44,662,377

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 9,306,152	\$ 1,220,599	\$ 1,383,589	\$ -
Special . . . . .	3,274,084	-	857,093	-
Vocational . . . . .	100,663	-	-	-
Other . . . . .	1,208,833	-	355,530	-
Support services:				
Pupil . . . . .	1,137,376	-	100,450	-
Instructional staff . . . . .	1,381,424	43,085	788,548	-
Board of education . . . . .	24,715	-	-	-
Administration . . . . .	1,848,855	-	43,585	-
Fiscal . . . . .	457,400	-	49,660	31,699
Operations and maintenance . . . . .	1,561,917	-	11,540	-
Pupil transportation . . . . .	1,729,127	96,929	57,864	-
Central . . . . .	78,964	-	9,115	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	1,910	-	-	-
Food service operations . . . . .	873,248	282,852	543,891	-
Extracurricular activities . . . . .	594,154	193,568	-	-
Interest and fiscal charges . . . . .	1,087,151	-	-	-
Total governmental activities . . . . .	\$ 24,665,973	\$ 1,837,033	\$ 4,200,865	\$ 31,699
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				4,404,020
Special revenue . . . . .				71,632
Debt service . . . . .				1,505,617
Capital projects . . . . .				203,252
Grants and entitlements not restricted to specific programs . . . . .				
Investment earnings . . . . .				832,283
Miscellaneous . . . . .				163,951
Total general revenues . . . . .				18,275,527
Change in net assets . . . . .				(320,849)
Net assets at beginning of year . . . . .				44,983,226
Net assets at end of year . . . . .				\$ 44,662,377

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Equity in pooled cash and cash equivalents . . . . .	\$ 524,045	\$ 709,280	\$ 101,891	\$ 12,251,926	\$ 3,325,393	\$ 16,912,535
Investments . . . . .	-	-	137,773	16,663,781	-	16,801,554
Receivables:						
Taxes . . . . .	5,757,878	1,847,428	-	-	383,813	7,989,119
Accounts . . . . .	22,480	-	-	-	-	22,480
Intergovernmental . . . . .	2,031	-	-	4,662,784	231,694	4,896,509
Accrued interest . . . . .	-	-	140	16,910	-	17,050
Interfund loans . . . . .	51,818	-	-	-	-	51,818
Prepayments . . . . .	111,592	-	-	-	14,997	126,589
Materials and supplies inventory . . . . .	56,738	-	-	-	2,256	58,994
Restricted assets:						
Equity in pooled cash and cash equivalents . . . . .	643,453	-	-	-	-	643,453
<b>Total assets . . . . .</b>	<b><u>\$ 7,170,035</u></b>	<b><u>\$ 2,556,708</u></b>	<b><u>\$ 239,804</u></b>	<b><u>\$ 33,595,401</u></b>	<b><u>\$ 3,958,153</u></b>	<b><u>\$ 47,520,101</u></b>
<b>Liabilities:</b>						
Accounts payable . . . . .	\$ 102,129	\$ -	\$ -	\$ -	\$ 32,908	\$ 135,037
Contracts payable . . . . .	-	-	2,531	443,945	7,717	454,193
Accrued wages and benefits . . . . .	1,164,927	-	-	-	344,046	1,508,973
Compensated absences payable . . . . .	40,802	-	-	-	-	40,802
Pension obligation payable . . . . .	325,953	-	-	-	96,600	422,553
Intergovernmental payable . . . . .	87,063	105	-	-	9,079	96,247
Interfund loans payable . . . . .	-	-	-	-	51,818	51,818
Deferred revenue . . . . .	454,373	146,783	120	4,677,241	191,973	5,470,490
Unearned revenue . . . . .	5,158,376	1,670,326	-	-	346,994	7,175,696
<b>Total liabilities . . . . .</b>	<b><u>7,333,623</u></b>	<b><u>1,817,214</u></b>	<b><u>2,651</u></b>	<b><u>5,121,186</u></b>	<b><u>1,081,135</u></b>	<b><u>15,355,809</u></b>
<b>Fund Balances:</b>						
Reserved for encumbrances . . . . .	243,055	-	2,018	16,232,147	869,370	17,346,590
Reserved for materials and supplies inventory . . . . .	56,738	-	-	-	2,256	58,994
Reserved for prepayments . . . . .	111,592	-	-	-	14,997	126,589
Reserved for debt service . . . . .	-	709,820	-	-	-	709,820
Reserved for property tax unavailable for appropriation . . . . .	91,624	29,674	-	-	6,169	127,467
Reserved for instructional materials . . . . .	643,453	-	-	-	-	643,453
Unreserved, undesignated (deficit) reported in:						
General fund . . . . .	(1,310,050)	-	-	-	-	(1,310,050)
Special revenue funds . . . . .	-	-	-	-	788,797	788,797
Capital projects funds . . . . .	-	-	235,135	12,242,068	1,195,429	13,672,632
<b>Total fund balances (deficit) . . . . .</b>	<b><u>(163,588)</u></b>	<b><u>739,494</u></b>	<b><u>237,153</u></b>	<b><u>28,474,215</u></b>	<b><u>2,877,018</u></b>	<b><u>32,164,292</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 7,170,035</u></b>	<b><u>\$ 2,556,708</u></b>	<b><u>\$ 239,804</u></b>	<b><u>\$ 33,595,401</u></b>	<b><u>\$ 3,958,153</u></b>	<b><u>\$ 47,520,101</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$ 32,164,292
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		32,497,070
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 630,511	
Intergovernmental revenue	4,825,402	
Accrued interest	14,577	
Total		5,470,490
Unamortized bond issuance costs are not recognized in the funds.		267,149
Unamortized premiums on bond issuances are not recognized in the funds.		(307,965)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,613,461	
General obligation bonds payable	23,730,000	
Accrued interest payable	85,198	
Total		(25,428,659)
<b>Net assets of governmental activities</b>		<b>\$ 44,662,377</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 4,348,376	\$ 1,478,121	\$ -	\$ -	\$ 272,202	\$ 6,098,699
Tuition . . . . .	1,183,166	-	-	-	-	1,183,166
Transportation fees . . . . .	96,929	-	-	-	-	96,929
Earnings on investments . . . . .	136,932	-	34,290	706,878	66,635	944,735
Charges for services . . . . .	-	-	-	-	316,254	316,254
Extracurricular . . . . .	-	-	-	-	203,251	203,251
Classroom materials and fees . . . . .	-	-	-	-	37,433	37,433
Other local revenues . . . . .	77,432	-	-	2,950	83,569	163,951
Intergovernmental - state . . . . .	11,954,474	212,245	-	13,466,707	2,016,756	27,650,182
Intergovernmental - federal . . . . .	-	-	-	-	2,105,981	2,105,981
Total revenue . . . . .	<u>17,797,309</u>	<u>1,690,366</u>	<u>34,290</u>	<u>14,176,535</u>	<u>5,102,081</u>	<u>38,800,581</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	7,435,135	-	-	-	1,414,848	8,849,983
Special . . . . .	2,310,147	-	-	-	820,947	3,131,094
Vocational . . . . .	97,275	-	-	-	-	97,275
Other . . . . .	815,351	-	-	-	353,613	1,168,964
Support services:						
Pupil . . . . .	958,050	-	-	-	101,705	1,059,755
Instructional staff . . . . .	475,916	-	-	-	854,109	1,330,025
Board of education . . . . .	23,957	-	-	-	-	23,957
Administration . . . . .	1,710,655	-	-	-	60,157	1,770,812
Fiscal . . . . .	380,980	49,695	-	-	10,699	441,374
Operations and maintenance . . . . .	1,314,798	-	-	135,112	26,647	1,476,557
Pupil transportation . . . . .	1,442,819	-	-	-	114,104	1,556,923
Central . . . . .	56,154	-	-	12,437	7,182	75,773
Operation of non-instructional services:						
Other non-instructional services . . . . .	1,782	-	-	-	-	1,782
Food service operations . . . . .	-	-	-	-	824,008	824,008
Extracurricular activities . . . . .	305,266	-	-	-	236,882	542,148
Facilities acquisition and construction . . . . .	213,166	-	4,067,071	11,762,957	526,042	16,569,236
Debt service:						
Principal retirement . . . . .	-	470,000	-	-	-	470,000
Interest and fiscal charges . . . . .	-	1,089,444	-	-	-	1,089,444
Total expenditures . . . . .	<u>17,541,451</u>	<u>1,609,139</u>	<u>4,067,071</u>	<u>11,910,506</u>	<u>5,350,943</u>	<u>40,479,110</u>
Excess of revenues over (under) expenditures . . . . .	255,858	81,227	(4,032,781)	2,266,029	(248,862)	(1,678,529)
<b>Other financing sources (uses):</b>						
Transfers in . . . . .	-	-	-	-	269,827	269,827
Transfers (out) . . . . .	(268,607)	-	-	-	(1,220)	(269,827)
Total other financing sources (uses) . . . . .	<u>(268,607)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,607</u>	<u>-</u>
Net change in fund balances . . . . .	(12,749)	81,227	(4,032,781)	2,266,029	19,745	(1,678,529)
<b>Fund balance at beginning of year . . . . .</b>	<b>(102,031)</b>	<b>658,267</b>	<b>4,269,934</b>	<b>26,208,186</b>	<b>2,890,180</b>	<b>33,924,536</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>(48,808)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,907)</b>	<b>(81,715)</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ (163,588)</b>	<b>\$ 739,494</b>	<b>\$ 237,153</b>	<b>\$ 28,474,215</b>	<b>\$ 2,877,018</b>	<b>\$ 32,164,292</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	(1,678,529)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$15,880,561) exceeds depreciation expense (\$344,332) in the current period.		15,536,229
Governmental funds report expenditures for inventory when purchased. However, on the statement of activities, they are reported as an expense when consumed.		(81,715)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(14,455,457)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		470,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The following resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	621	
Amortization of bond issuance costs	(10,941)	
Amortization on bond premiums	12,613	
	2,293	
Total		2,293
Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(113,670)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(320,849)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,989,547	\$ 4,284,533	\$ 4,332,960	\$ 48,427
Tuition. . . . .	1,089,393	1,169,942	1,183,166	13,224
Transportation fees. . . . .	89,188	95,782	96,865	1,083
Earnings on investments. . . . .	126,080	135,402	136,932	1,530
Other local revenues. . . . .	50,656	54,401	55,016	615
Intergovernmental - state . . . . .	10,801,095	11,599,722	11,730,831	131,109
Total revenue . . . . .	<u>16,145,959</u>	<u>17,339,782</u>	<u>17,535,770</u>	<u>195,988</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,865,908	7,586,144	7,568,060	18,084
Special. . . . .	2,105,960	2,326,876	2,321,328	5,548
Vocational. . . . .	98,277	108,586	108,327	259
Other. . . . .	739,042	816,568	814,622	1,946
Support services:				
Pupil. . . . .	887,454	980,548	978,211	2,337
Instructional staff . . . . .	442,434	488,845	487,680	1,165
Board of education . . . . .	23,597	26,072	26,010	62
Administration. . . . .	1,610,543	1,779,489	1,775,247	4,242
Fiscal . . . . .	348,689	385,267	384,349	918
Operations and maintenance. . . . .	1,212,762	1,339,981	1,336,787	3,194
Pupil transportation . . . . .	1,339,829	1,480,377	1,476,848	3,529
Central. . . . .	86,115	95,149	94,922	227
Operation of non-instructional services . . . . .	1,616	1,786	1,782	4
Extracurricular activities. . . . .	281,528	311,060	310,319	741
Facilities acquisition and construction. . . . .	192,959	213,201	212,693	508
Total expenditures . . . . .	<u>16,236,713</u>	<u>17,939,949</u>	<u>17,897,185</u>	<u>42,764</u>
Excess of revenues under expenditures. . . . .	<u>(90,754)</u>	<u>(600,167)</u>	<u>(361,415)</u>	<u>238,752</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(243,686)	(269,249)	(268,607)	642
Advances in. . . . .	176,390	189,432	191,573	2,141
Advances (out) . . . . .	-	-	(51,818)	(51,818)
Sale of capital assets. . . . .	81,649	87,686	88,677	991
Refund of prior year expenditure. . . . .	96,002	103,100	104,265	1,165
Refund of prior year receipt . . . . .	(202,104)	(223,305)	(222,773)	532
Total other financing sources (uses) . . . . .	<u>(91,749)</u>	<u>(112,336)</u>	<u>(158,683)</u>	<u>(46,347)</u>
Net change in fund balance . . . . .	(182,503)	(712,503)	(520,098)	192,405
<b>Fund balance at beginning of year. . . . .</b>	1,159,909	1,159,909	1,159,909	-
<b>Prior year encumbrances appropriated . . . . .</b>	182,503	182,503	182,503	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,159,909</u>	<u>\$ 629,909</u>	<u>\$ 822,314</u>	<u>\$ 192,405</u>

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 22,281	\$ 44,523
Total assets. . . . .	22,281	\$ 44,523
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 44,523
Total liabilities . . . . .	-	\$ 44,523
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	22,281	
Total net assets . . . . .	\$ 22,281	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 709
Total additions . . . . .	709
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,000
Change in net assets . . . . .	(1,291)
<b>Net assets at beginning of year. . . . .</b>	<b>23,572</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 22,281</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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 218th largest by enrollment among the 922 public school districts and community schools in the State. It currently operates 3 elementary schools and 1 comprehensive high school. The District employs 179 certified (including 24 administrative) and 95 classified full-time and part-time employees to provide services to approximately 2,229 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

*Gallia-Jackson-Vinton Joint Vocational School District* - The Gallia-Jackson-Vinton Joint Vocational School District (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 JVS accepts non-tuition students from the District as a member school of the JVS; however, it is considered a separate political subdivision and is not considered to be part of the District.

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

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

Building fund - A capital projects fund used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Classroom facilities construction fund - A capital projects fund used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

*FIDUCIARY FUNDS*

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Gallia County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2009.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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 year 2009. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$136,932, which includes \$103,220 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintained a capitalization threshold of \$500 during fiscal year 2009. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**J. Compensated Absences (Continued)**

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

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

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Prepayments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**O. Estimates**

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

**P. Restricted Assets**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**A. Change in Accounting Principles (Continued)**

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
General	\$ 163,588
 <u>Nonmajor governmental funds</u>	
Alternative schools	1,578
Special revenue fund 532	9,774
Special revenue fund 533	42
Title IIA	701

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

**A. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$17,622,792. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$250,000 of the District's bank balance of \$18,796,861 was covered by the Federal Deposit Insurance Corporation, while \$18,546,861 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**A. Deposits with Financial Institutions (Continued)**

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u> 6 months or less
FHLB	\$ 5,249,400	\$ 5,249,400
FHLMC	3,022,380	3,022,380
FNMA	6,547,113	6,547,113
U.S. Treasury Notes	<u>1,982,661</u>	<u>1,982,661</u>
Total	<u>\$ 16,801,554</u>	<u>\$ 16,801,554</u>

The weighted average maturity of investments is 0.23 years.

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

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

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

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

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

**B. Investments (Continued)**

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 5,249,400	31.24
FHLMC	3,022,380	17.99
FNMA	6,547,113	38.97
U.S. Treasury Notes	1,982,661	11.80
Total	<u>\$ 16,801,554</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2009:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 17,622,792
Investments	<u>16,801,554</u>
Total	<u>\$ 34,424,346</u>

Cash and investments per statement of net assets

Governmental activities	\$ 34,357,542
Private-purpose trust funds	22,281
Agency funds	<u>44,523</u>
Total	<u>\$ 34,424,346</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2009 consisted of the following interfund loans receivable and payable, as reported on the fund financial statements:

<u>Interfund loans receivable reported in the general fund:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 51,818

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the statement of net assets at June 30, 2009.

- B.** Interfund transfers for the fiscal year ended June 30, 2009 consisted of the following transfers, as reported in the fund financial statements:

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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

	<u>Amount</u>
<u>Transfers out of general fund to:</u>	
Nonmajor governmental funds	\$ 268,607
<u>Transfers out of nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>1,220</u>
Total	<u>\$ 269,827</u>

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Gallia County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

The amount available as an advance at June 30, 2009 was \$91,624 in the general fund, \$29,674 in the bond retirement debt service fund, \$4,104 in the permanent improvement capital projects fund (a nonmajor governmental fund), and \$2,065 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$57,102 in the general fund, \$17,133 in the bond retirement debt service fund, \$2,652 in the permanent improvement capital projects fund (a nonmajor governmental fund), and \$1,346 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 209,302,230	92.68	\$ 222,765,510	95.52
Public utility personal	9,800,850	4.34	6,193,461	2.66
Tangible personal property	<u>6,726,766</u>	<u>2.98</u>	<u>4,250,859</u>	<u>1.82</u>
Total	<u>\$ 225,829,846</u>	<u>100.00</u>	<u>\$ 233,209,830</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General operations	\$ 31.00		\$ 31.00	
Bond retirement	7.20		7.20	
Permanent improvements	1.50		1.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 7,989,119
Accounts	22,480
Intergovernmental	4,896,509
Accrued interest	<u>17,050</u>
Total	<u>\$ 12,925,158</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 – RECEIVABLES (Continued)**

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 986,120	\$ -	\$ -	\$ 986,120
Construction-in-progress	13,700,804	15,830,028	-	29,530,832
<i>Total capital assets, not being depreciated</i>	<u>14,686,924</u>	<u>15,830,028</u>	<u>-</u>	<u>30,516,952</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,431,619	4,880	-	1,436,499
Buildings and improvements	4,792,633	-	-	4,792,633
Equipment and furniture	1,934,113	45,653	-	1,979,766
Vehicles	2,318,263	-	-	2,318,263
<i>Total capital assets, being depreciated</i>	<u>10,476,628</u>	<u>50,533</u>	<u>-</u>	<u>10,527,161</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(995,109)	(43,866)	-	(1,038,975)
Buildings and improvements	(4,007,034)	(44,037)	-	(4,051,071)
Equipment and furniture	(1,556,697)	(99,540)	-	(1,656,237)
Vehicles	(1,643,871)	(156,889)	-	(1,800,760)
<i>Total accumulated depreciation</i>	<u>(8,202,711)</u>	<u>(344,332)</u>	<u>-</u>	<u>(8,547,043)</u>
Total capital assets, net	<u>\$ 16,960,841</u>	<u>\$ 15,536,229</u>	<u>\$ -</u>	<u>\$ 32,497,070</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 65,544
Special	27,356
<u>Support services:</u>	
Pupil	4,296
Instructional staff	5,175
Administration	9,656
Operations and maintenance	30,823
Pupil transportation	155,574
Central	599
Other non-instructional services	59
Extracurricular activities	35,271
Food service operations	9,979
Total depreciation expense	<u>\$ 344,332</u>

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>6/30/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/09</u>	<u>Amounts Due</u> <u>In One Year</u>
General obligation bonds	\$ 24,200,000	\$ -	\$ (470,000)	\$ 23,730,000	\$ 540,000
Compensated absences	<u>1,508,246</u>	<u>223,900</u>	<u>(77,883)</u>	<u>1,654,263</u>	<u>124,107</u>
Total	<u>\$ 25,708,246</u>	<u>\$ 223,900</u>	<u>\$ (547,883)</u>	\$ 25,384,263	<u>\$ 664,107</u>
Unamortized premium				<u>307,965</u>	
Total on statement of net assets				<u>\$ 25,692,228</u>	

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

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). The OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2009, the total estimated cost of the Construction Project is \$27,925,959, of which the OSFC will pay approximately \$17,872,614.

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

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

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

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

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

Year Ended June 30	General Obligation Bonds		
	Principal	Interest	Total
2010	\$ 540,000	\$ 1,080,140	\$ 1,620,140
2011	565,000	1,058,540	1,623,540
2012	585,000	1,035,940	1,620,940
2013	610,000	1,012,540	1,622,540
2014	635,000	988,140	1,623,140
2015 - 2019	3,665,000	4,516,900	8,181,900
2020 - 2024	4,490,000	3,619,472	8,109,472
2025 - 2029	5,610,000	2,497,500	8,107,500
2030 - 2034	<u>7,030,000</u>	<u>1,077,750</u>	<u>8,107,750</u>
Total	<u>\$ 23,730,000</u>	<u>\$ 16,886,922</u>	<u>\$ 40,616,922</u>

**C. Legal Debt Margins**

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

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

In accordance with the above calculations, as of June 30, 2009, the District has exceeded the legal voted debt margin by \$2,941,610, the legal unvoted debt margin was \$222,766, and the legal energy conservation debt margin was \$2,004,890. The Board of Education received approval to become a special needs district and issue bonds in an amount in excess of the nine percent debt limitations.

**NOTE 10 - RISK MANAGEMENT**

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

During fiscal year 2009, the District purchased general liability insurance through the Schools Of Ohio Risk Sharing Authority (SORSA), which carried a \$1 million per occurrence/\$7 million annual aggregate limitation.

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTE 10 - RISK MANAGEMENT (Continued)**

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

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

*OSBA WORKERS' COMPENSATION GROUP RATING PROGRAM*

For fiscal year 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$208,937, \$208,350, and \$201,104, respectively; 50.90 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

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

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

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

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$1,321,998, \$1,338,328, and \$1,279,735, respectively; 83.81 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$12,639 made by the District and \$22,659 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**A. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007, were \$127,885, \$126,936, and \$97,480, respectively; 50.90 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$17,239, \$15,012, and \$13,675, respectively; 50.90 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

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

**B. State Teachers Retirement System of Ohio (Continued)**

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$101,692, \$102,948, and \$98,441, respectively; 83.81 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

<b>Net Change in Fund Balance</b>	
	<u>General Fund</u>
Budget basis	\$ (520,098)
Net adjustment for revenue accruals	261,539
Net adjustment for expenditure accruals	10,550
Net adjustment for other financing sources/uses	(109,924)
Adjustment for encumbrances	<u>345,184</u>
GAAP basis	<u>\$ (12,749)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 14 - CONTINGENCIES**

**Grants**

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

**NOTE 15 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by State statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance at June 30, 2008	\$ 670,040	\$ -
Current year set-aside requirement	303,391	303,391
Current year offsets:		
Principal portion of bond levy	-	(470,000)
Permanent improvement levy	-	(203,399)
Current year qualifying expenditures	<u>(329,978)</u>	<u>(220,119)</u>
Set-aside balance at June 30, 2009	<u>\$ 643,453</u>	<u>\$ (590,127)</u>
Balance carried forward to fiscal year 2010	<u>\$ 643,453</u>	<u>\$ -</u>

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for instructional materials	<u>\$ 643,453</u>
Total restricted assets	<u>\$ 643,453</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 2009, the District was obligated for the following contracts:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Payments as of 6/30/09</u>	<u>Contract Balance 6/30/09</u>
Brewer & Co.	\$ 95,800	\$ -	\$ 95,800
Central Fire	229,117	-	229,117
Central Masonry	1,101,056	(106,051)	995,005
Claypool Electric	2,800,000	(150,344)	2,649,656
Continental	56,822	-	56,822
J & H Reinforcing & Structural Erectors	2,023,922	(1,789,272)	234,650
Johnson-Lancaster & Assoc.	269,438	-	269,438
King Business Interiors	63,814	-	63,814
Kinsale Corporation	4,677,720	(452,337)	4,225,383
Lang Masonry Contractors	4,925,878	(3,796,564)	1,129,314
Louis R. Polster Company	277,600	-	277,600
Martin Public Seating	109,099	-	109,099
Mechanical Construction Company	4,774,625	(4,585,572)	189,053
Nitro Electric Company	4,115,705	(3,681,311)	434,394
Oakland Plumbing Company	650,113	-	650,113
RAME	897,050	(896,145)	905
School Specialty	21,360	-	21,360
Stevens Construction	528,000	-	528,000
Tarrier Steel Company	900,000	(237,198)	662,802
Tom Sexton	160,715	-	160,715
TP Mechanical Contractors	2,370,662	(268,305)	2,102,357
Trimat Construction	9,114,056	(7,842,135)	1,271,921
Wasserstrom Co.	459,186	(459,186)	-
Wenger Corporation	<u>44,740</u>	<u>-</u>	<u>44,740</u>
Total	<u>\$ 40,666,478</u>	<u>\$ (24,264,420)</u>	<u>\$ 16,402,058</u>

Gallipolis City School District  
Gallia County  
Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU	10.553	\$ 148,958	\$ -	\$ 148,958	\$ -
National School Lunch Program	LLP4	10.555	333,659	12,591	333,659	12,591
Total - Nutrition Cluster			482,617	12,591	482,617	12,591
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster</i>						
Special Education - Grants to States	6BSF	84.027	534,700	-	518,510	-
Special Education - Preschool Grant	PGS1	84.173	22,199	-	19,398	-
Total Special Education Cluster			556,899	-	537,908	-
<i>Passed through Ohio Department of Education</i>						
<i>State and Drug-Free Schools and Communities -</i>						
State Grants	DRS1	84.186	11,181	-	11,195	-
Title I Grants to Local Education Agencies	C1S1	84.010	702,227	-	700,599	-
Twenty-First Century Community Learning Centers	T1S1	84.287	150,000	-	142,521	-
State Grants for Innovative Programs	C2S1	84.298	2,049	-	2,049	-
Education Technology State Grants	TJS1	84.318	7,758	-	7,639	-
Rural Education	RUS1	84.358	53,884	-	50,633	-
Improving Teacher Quality State Grants	TRS1	84.367	169,458	-	165,366	-
<b>Total United States Department of Education</b>			1,653,456	-	1,617,910	-
<b>Total Federal Financial Assistance</b>			\$ 2,136,073	\$ 12,591	\$ 2,100,527	\$ 12,591

See accompanying notes to the schedule of federal awards receipts and expenditures.

Gallipolis City School District  
Notes to Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2009

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTIONS**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2009, the District had no significant food commodities in inventory.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING  
STANDARDS***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 23, 2010, in which we indicated that the School District implemented GASB Statements No. 49, No. 52, No. 55 and No. 56. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

We did note certain instances of noncompliance that we reported to the management of the School District in a separate letter dated February 23, 2010.

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



Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2010



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

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

**Compliance**

We have audited the compliance of the Gallipolis City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal program for the year ended June 30, 2009.

**Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance (Continued)**

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2010

**GALLIPOLIS CITY SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS*  
*OMB CIRCULAR A-133 SECTION .505*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2009*

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA# 10.553 and 10.555 Special Education Cluster: CFDA# 84.027 and 84.173 Title I Grants to Local Education Agencies: CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**GALLIPOLIS CITY SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS*  
*OMB CIRCULAR A-133 SECTION .505*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2009*  
*(CONTINUED)*

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

None

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

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

**GALLIPOLIS CITY SCHOOL DISTRICT**  
*SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2009*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid, Explain:
2008-001	A material weakness was identified for certain financial statement misstatements.	Yes	N/A



### **Independent Auditor’s Report on Applying Agreed-Upon Procedures**

Gallipolis City School District  
61 State Street  
Gallipolis, Ohio 45631

To the Board of Education:

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

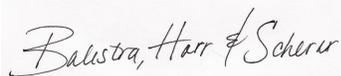
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Gallipolis City School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management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

1. We noted the Board adopted an anti-harassment policy at its meeting on 11/25/05.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2010



**Mary Taylor, CPA**  
Auditor of State

**GALLIPOLIS CITY SCHOOL DISTRICT**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 15, 2010**