



# Balestra, Harr & Scherer, CPAs, Inc.

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

[www.bhscpas.com](http://www.bhscpas.com)

GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012  
Fiscal Year Audited Under GAGAS: 2012





# Dave Yost • 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, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 12, 2013

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**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District, Gallia County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallipolis City School District, Gallia County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, during 2012, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 57; "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" and GASB Statement No. 64; "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASG Statement No. 53".

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.

January 14, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. 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 2012 are as follows:

- The District net assets of governmental activities decreased \$1,693,178 which represents a 3.04% decrease from 2011.
- General revenues accounted for \$19,238,376 in revenue or 76.95% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,762,322 or 23.05% of total revenues of \$25,000,698.
- The District had \$26,693,876 in expenses related to governmental activities; only \$5,762,322 was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,238,376 were not adequate to provide for these programs.
- The District had three major governmental funds during fiscal 2012. The general fund had \$19,135,294 in revenues and other financing sources and \$18,307,720 in expenditures and other financing uses. During fiscal 2012, the general fund's fund balance increased \$856,271 from a deficit of \$428,133 to a positive fund balance of \$428,138.
- The debt service fund had \$1,818,342 in revenues and \$1,646,439 in expenditures. During fiscal 2012, the debt service fund's fund balance increased \$171,903 from \$879,756 to \$1,051,659.
- The classroom facilities fund had \$523,469 in revenues and \$5,354,439 in expenditures. During fiscal 2012, the classroom facilities fund's fund balance decreased \$4,830,970 from \$6,644,944 to \$1,813,974.

**Using the Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

***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 22-48 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 2012 and 2011.

|                                                 | <b>Net Assets</b>                         |                                           |
|-------------------------------------------------|-------------------------------------------|-------------------------------------------|
|                                                 | Governmental<br>Activities<br><u>2012</u> | Governmental<br>Activities<br><u>2011</u> |
| <b><u>Assets</u></b>                            |                                           |                                           |
| Current and other assets                        | \$ 16,224,443                             | \$ 20,410,739                             |
| Capital assets, net                             | <u>71,682,336</u>                         | <u>69,767,177</u>                         |
| Total assets                                    | <u>87,906,779</u>                         | <u>90,177,916</u>                         |
| <b><u>Liabilities</u></b>                       |                                           |                                           |
| Current liabilities                             | 10,007,657                                | 9,932,939                                 |
| Long-term liabilities                           | <u>23,840,377</u>                         | <u>24,493,054</u>                         |
| Total liabilities                               | <u>33,848,034</u>                         | <u>34,425,993</u>                         |
| <b><u>Net Assets</u></b>                        |                                           |                                           |
| Invested in capital assets, net of related debt | 48,657,534                                | 46,859,438                                |
| Restricted                                      | 4,848,724                                 | 10,240,284                                |
| Unrestricted (deficit)                          | <u>552,487</u>                            | <u>(1,347,799)</u>                        |
| Total net assets                                | <u>\$ 54,058,745</u>                      | <u>\$ 55,751,923</u>                      |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$54,058,745. At year-end, restricted net assets were \$4,848,724.

At year-end, capital assets represented 81.54% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Total net assets invested in capital assets, net of related debt at June 30, 2012 were \$48,657,534. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

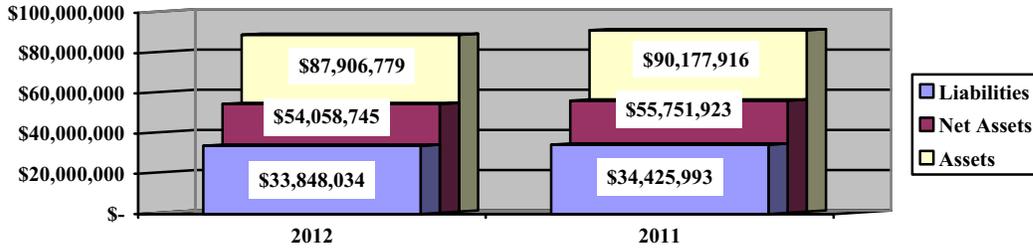
A portion of the District's net assets, \$4,848,724, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$552,487.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below illustrates the District's total assets, liabilities and net assets at June 30, 2012 and 2011.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2012 and 2011.

|                                                                              | <b>Change in Net Assets</b>               |                                           |
|------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
|                                                                              | Governmental<br>Activities<br><u>2012</u> | Governmental<br>Activities<br><u>2011</u> |
| <b><u>Revenues</u></b>                                                       |                                           |                                           |
| Program revenues:                                                            |                                           |                                           |
| Charges for services and sales                                               | \$ 1,780,812                              | \$ 1,863,813                              |
| Operating grants and contributions                                           | 3,886,807                                 | 5,708,772                                 |
| Capital grants and contributions                                             | 94,703                                    | 102,250                                   |
| General revenues:                                                            |                                           |                                           |
| Property taxes                                                               | 6,500,938                                 | 6,117,571                                 |
| Grants and entitlements<br>not restricted to specific programs               | 12,078,919                                | 11,536,934                                |
| Grants and entitlements restricted<br>for Ohio Schools Facilities Commission | 206,355                                   | 1,753,608                                 |
| Investment earnings                                                          | 159,830                                   | 367,195                                   |
| Other                                                                        | <u>292,334</u>                            | <u>71,371</u>                             |
| Total revenues                                                               | <u>\$ 25,000,698</u>                      | <u>\$ 27,521,514</u>                      |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Change in Net Assets**

|                                           | Governmental<br>Activities<br><u>2012</u> | Governmental<br>Activities<br><u>2011</u> |
|-------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b><u>Expenses</u></b>                    |                                           |                                           |
| Program expenses:                         |                                           |                                           |
| Instruction:                              |                                           |                                           |
| Regular                                   | \$ 10,369,703                             | \$ 9,231,281                              |
| Special                                   | 3,836,656                                 | 3,508,509                                 |
| Vocational                                | 104,494                                   | 99,733                                    |
| Other                                     | 259,673                                   | 804,637                                   |
| Support services:                         |                                           |                                           |
| Pupil                                     | 1,331,504                                 | 1,111,360                                 |
| Instructional staff                       | 1,476,900                                 | 1,544,576                                 |
| Board of education                        | 33,537                                    | 27,236                                    |
| Administration                            | 2,201,280                                 | 2,089,637                                 |
| Fiscal                                    | 440,784                                   | 465,595                                   |
| Operations and maintenance                | 2,249,725                                 | 2,093,001                                 |
| Pupil transportation                      | 1,699,821                                 | 1,749,383                                 |
| Central                                   | 133,918                                   | 143,832                                   |
| Operations of non-instructional services: |                                           |                                           |
| Food service operations                   | 932,011                                   | 925,041                                   |
| Extracurricular activities                | 602,937                                   | 530,243                                   |
| Interest and fiscal charges               | <u>1,020,933</u>                          | <u>1,043,549</u>                          |
| Total expenses                            | <u>26,693,876</u>                         | <u>25,367,613</u>                         |
| Change in net assets                      | (1,693,178)                               | 2,153,901                                 |
| Net assets at beginning of year           | <u>55,751,923</u>                         | <u>53,598,022</u>                         |
| Net assets at end of year                 | <u>\$ 54,058,745</u>                      | <u>\$ 55,751,923</u>                      |

**Governmental Activities**

The decrease in restricted grants and entitlements is the result of a decrease in the amount of grant monies for the OSFC construction project being recognized in fiscal year 2012 compared to 2011. Unrestricted grants and entitlements increased as a result of increased grant revenues received in the general fund. Operating grants and contributions decreased primarily due to a decrease in grant monies related to IDEA Part B, education stabilization and Title I.

Net assets of the District's governmental activities decreased \$1,693,178. Total governmental expenses of \$26,693,876 were offset by program revenues of \$5,762,322 and general revenues of \$19,238,376. Program revenues supported 21.59% of the total governmental expenses.

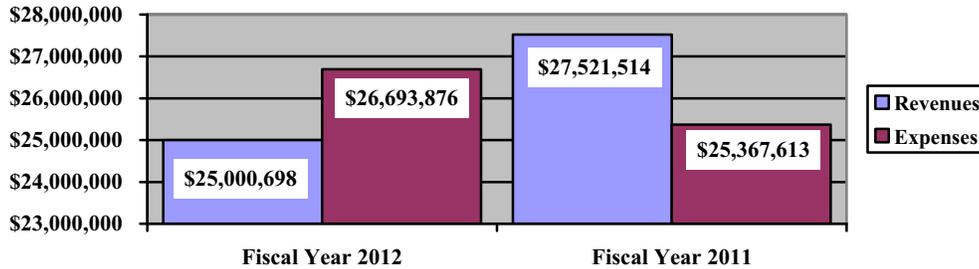
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 75.14% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

**Governmental Activities - Revenues and Expenses**



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

|                                           | <b>Governmental Activities</b> |                         |                           |                         |
|-------------------------------------------|--------------------------------|-------------------------|---------------------------|-------------------------|
|                                           | Total Cost of<br>Services      | Net Cost of<br>Services | Total Cost of<br>Services | Net Cost of<br>Services |
|                                           | <u>2012</u>                    | <u>2012</u>             | <u>2011</u>               | <u>2011</u>             |
| <b>Program expenses</b>                   |                                |                         |                           |                         |
| Instruction:                              |                                |                         |                           |                         |
| Regular                                   | \$ 10,369,703                  | \$ 8,947,071            | \$ 9,231,281              | \$ 6,950,672            |
| Special                                   | 3,836,656                      | 1,604,136               | 3,508,509                 | 1,398,979               |
| Vocational                                | 104,494                        | 75,197                  | 99,733                    | 69,878                  |
| Other                                     | 259,673                        | 259,673                 | 804,637                   | 804,637                 |
| Support services:                         |                                |                         |                           |                         |
| Pupil                                     | 1,331,504                      | 1,280,049               | 1,111,360                 | 1,020,537               |
| Instructional staff                       | 1,476,900                      | 905,545                 | 1,544,576                 | 615,742                 |
| Board of education                        | 33,537                         | 33,537                  | 27,236                    | 27,236                  |
| Administration                            | 2,201,280                      | 2,158,064               | 2,089,637                 | 1,440,485               |
| Fiscal                                    | 440,784                        | 439,033                 | 465,595                   | 463,428                 |
| Operations and maintenance                | 2,249,725                      | 2,044,362               | 2,093,001                 | 1,882,736               |
| Pupil transportation                      | 1,699,821                      | 1,602,998               | 1,749,383                 | 1,515,804               |
| Central                                   | 133,918                        | 130,689                 | 143,832                   | 103,405                 |
| Operations of non-instructional services: |                                |                         |                           |                         |
| Food service operations                   | 932,011                        | 47,901                  | 925,041                   | 53,222                  |
| Extracurricular activities                | 602,937                        | 382,366                 | 530,243                   | 302,468                 |
| Interest and fiscal charges               | 1,020,933                      | 1,020,933               | 1,043,549                 | 1,043,549               |
| <b>Total expenses</b>                     | <u>\$ 26,693,876</u>           | <u>\$ 20,931,554</u>    | <u>\$ 25,367,613</u>      | <u>\$ 17,692,778</u>    |

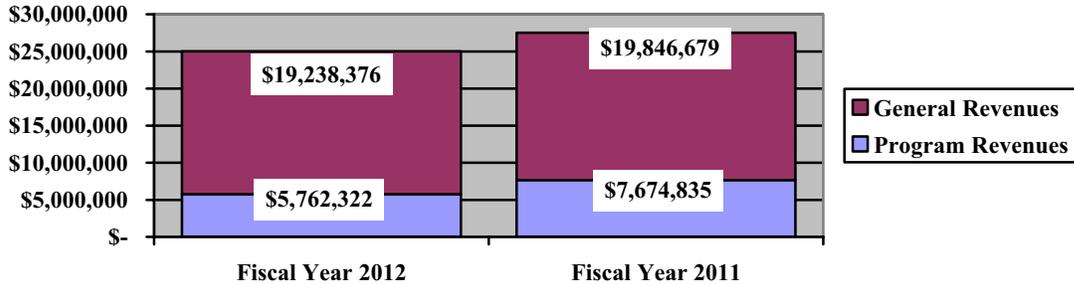
The dependence upon tax and other general revenues for governmental activities is apparent, 74.71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.41%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

**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 \$5,098,411, which is lower than last year's total of \$8,637,659. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

|                      | Fund Balance<br><u>June 30, 2012</u> | Fund Balance<br>(deficit)<br><u>June 30, 2011</u> | Increase<br>(Decrease) |
|----------------------|--------------------------------------|---------------------------------------------------|------------------------|
| General              | \$ 428,138                           | \$ (428,133)                                      | \$ 856,271             |
| Debt service         | 1,051,659                            | 879,756                                           | 171,903                |
| Classroom facilities | 1,813,974                            | 6,644,944                                         | (4,830,970)            |
| Other governmental   | <u>1,804,640</u>                     | <u>1,541,092</u>                                  | <u>263,548</u>         |
| Total                | <u>\$ 5,098,411</u>                  | <u>\$ 8,637,659</u>                               | <u>\$ (3,539,248)</u>  |

**General Fund**

The District's general fund's fund balance increased \$856,271. The increase in fund balance can be attributed to increasing revenues exceeding decreasing expenditures. The significant increases in revenues were in the area of intergovernmental which increased \$535,767, or 4.38%, and in other local revenues which increased \$221,259, or 178.61%, from the prior year. All other current year revenues are comparable to the revenues of the previous year. Instruction expenditures decreased during the current fiscal year primarily due to a decrease in personnel costs; however, this decrease was offset by an increase in support services expenses. Facilities acquisition and construction costs decreased due to a decrease in the amount of assets that were bought during the current fiscal year from the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

|                                         | 2012<br><u>Amount</u> | 2011<br><u>Amount</u> | Percentage<br><u>Change</u> |
|-----------------------------------------|-----------------------|-----------------------|-----------------------------|
| <b><u>Revenues</u></b>                  |                       |                       |                             |
| Taxes                                   | \$ 4,591,742          | \$ 4,345,368          | 5.67 %                      |
| Transportation fees                     | 66,001                | 94,263                | (29.98) %                   |
| Tuition                                 | 1,250,501             | 1,237,196             | 1.08 %                      |
| Earnings on investments                 | 69,435                | 109,751               | (36.73) %                   |
| Intergovernmental                       | 12,757,270            | 12,221,503            | 4.38 %                      |
| Other revenues                          | <u>345,134</u>        | <u>123,875</u>        | 178.61 %                    |
| Total                                   | <u>\$ 19,080,083</u>  | <u>\$ 18,131,956</u>  | 5.23 %                      |
| <b><u>Expenditures</u></b>              |                       |                       |                             |
| Instruction                             | \$ 10,744,308         | \$ 11,606,341         | (7.43) %                    |
| Support services                        | 7,235,592             | 6,778,193             | 6.75 %                      |
| Extracurricular activities              | 318,325               | 310,854               | 2.40 %                      |
| Facilities acquisition and construction | <u>-</u>              | <u>25,455</u>         | (100.00) %                  |
| Total                                   | <u>\$ 18,298,225</u>  | <u>\$ 18,720,843</u>  | (2.26) %                    |

***Debt Service Fund***

The debt service fund had \$1,818,342 in revenues and \$1,646,439 in expenditures. During fiscal 2012, the debt service fund's fund balance increased \$171,903 from \$879,756 to \$1,051,659. Revenues in the debt service fund were sufficient to cover all required debt service payments and fiscal expenditures.

***Classroom Facilities Fund***

The classroom facilities fund had \$523,469 in revenues and \$5,354,439 in expenditures. During fiscal 2012, the classroom facilities fund's fund balance decreased \$4,830,970 from \$6,644,944 to \$1,813,974. The fund balance will continue to decrease as the District makes capital expenditures on the OSFC construction project.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2012, the District amended its general fund budget revenues. For the general fund, original budget revenues and other financing sources were \$18,000,000, which was lower than the final budget revenues and other financing sources of \$19,206,154. For fiscal 2012, actual revenues and other financing sources were \$19,743,505. This represents a \$537,351 increase over final budgeted revenues.

General fund original budget expenditures and other financing uses (original appropriations plus prior year encumbrances appropriated) totaled \$18,454,161. Final budget expenditures and other financing uses (final appropriations plus prior year encumbrances appropriated) totaled \$18,995,201. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$19,420,880, which was \$425,679 more than the final budget expenditures and other financing uses.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2012, the District had \$71,682,336 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows the net capital asset balances at June 30, 2012 and June 30, 2011:

**Capital Assets at June 30  
(Net of Depreciation)**

|                           | Governmental Activities |               |
|---------------------------|-------------------------|---------------|
|                           | 2012                    | 2011          |
| Land                      | \$ 1,179,750            | \$ 1,179,750  |
| Construction in progress  | -                       | 28,112,000    |
| Land improvements         | 1,675,551               | 1,778,603     |
| Building and improvements | 65,621,449              | 37,238,624    |
| Furniture and equipment   | 2,752,602               | 964,666       |
| Vehicles                  | 452,984                 | 493,534       |
| Total                     | \$ 71,682,336           | \$ 69,767,177 |

The overall increase in capital assets of \$1,915,159 is primarily due to capital outlays of \$3,814,417 exceeding depreciation expense of \$1,894,061 and current year deletions of \$5,197 (net of accumulated depreciation) in fiscal 2012. Capital outlays relate to the OSFC construction project.

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

***Debt Administration***

At June 30, 2012 the District had \$22,040,000 in general obligation bonds outstanding. Of this total, \$610,000 is due within one year and \$21,430,000 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

|                          | Governmental<br>Activities<br>2012 | Governmental<br>Activities<br>2011 |
|--------------------------|------------------------------------|------------------------------------|
| General obligation bonds | \$ 22,040,000                      | \$ 22,625,000                      |
| Total                    | \$ 22,040,000                      | \$ 22,625,000                      |

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Current Financial Related Activities**

A challenge that had faced the District in the past was the need to update its facilities to enhance learning space design for students. The Board has had an ongoing partnership with the Ohio School Facilities Commission (OSFC) since May, 2005. Approval to participate in the Exceptional Needs Program provided funding to build a new high school to house grades 9-12 and renovations to the old high school to house grades 6-8. Allowance was also provided to abate/demolish the 1916 section. The State provided 64% of the funding for this project.

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

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

The new Gallia Academy High School opened in August, 2009. New Green and Rio Grande Elementary Schools and the renovated Washington Elementary School opened in August, 2010. The renovation of the old Gallia Academy High School to house grades 6-8 was completed and opened August, 2012

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2012

|                                                             | <b>Governmental<br/>Activities</b> |
|-------------------------------------------------------------|------------------------------------|
| <b>Assets:</b>                                              |                                    |
| Equity in pooled cash and cash equivalents . . . . .        | \$ 7,413,703                       |
| Receivables:                                                |                                    |
| Taxes. . . . .                                              | 7,747,840                          |
| Accounts. . . . .                                           | 46,434                             |
| Intergovernmental . . . . .                                 | 601,352                            |
| Loans . . . . .                                             | 1,780                              |
| Prepayments . . . . .                                       | 40,977                             |
| Materials and supplies inventory. . . . .                   | 138,032                            |
| Unamortized bond issuance costs . . . . .                   | 234,325                            |
| Capital assets:                                             |                                    |
| Land and construction in progress. . . . .                  | 1,179,750                          |
| Depreciable capital assets, net. . . . .                    | 70,502,586                         |
| Capital assets, net . . . . .                               | 71,682,336                         |
| <br>Total assets. . . . .                                   | <br>87,906,779                     |
| <br><b>Liabilities:</b>                                     |                                    |
| Accounts payable. . . . .                                   | 152,914                            |
| Contracts payable. . . . .                                  | 699,451                            |
| Retainage payable . . . . .                                 | 285,351                            |
| Accrued wages and benefits . . . . .                        | 1,281,895                          |
| Pension obligation payable. . . . .                         | 403,530                            |
| Intergovernmental payable . . . . .                         | 57,243                             |
| Unearned revenue . . . . .                                  | 7,047,446                          |
| Accrued interest payable . . . . .                          | 79,827                             |
| Long-term liabilities:                                      |                                    |
| Due within one year. . . . .                                | 716,282                            |
| Due in more than one year. . . . .                          | 23,124,095                         |
| <br>Total liabilities . . . . .                             | <br>33,848,034                     |
| <br><b>Net Assets:</b>                                      |                                    |
| Invested in capital assets, net<br>of related debt. . . . . | 48,657,534                         |
| Restricted for:                                             |                                    |
| Capital projects . . . . .                                  | 2,655,932                          |
| Debt service. . . . .                                       | 1,121,950                          |
| Classroom facilities maintenance . . . . .                  | 512,241                            |
| State funded programs. . . . .                              | 15,431                             |
| Federally funded programs . . . . .                         | 344,206                            |
| Student activities . . . . .                                | 32,439                             |
| Other purposes . . . . .                                    | 166,525                            |
| Unrestricted (deficit) . . . . .                            | 552,487                            |
| <br>Total net assets . . . . .                              | <br>\$ 54,058,745                  |

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, 2012

|                                                                                       | Expenses             | Program Revenues                  |                                       |                                     | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|---------------------------------------------------------------------------------------|----------------------|-----------------------------------|---------------------------------------|-------------------------------------|----------------------------------------------------------|
|                                                                                       |                      | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions |                                                          |
| <b>Governmental activities:</b>                                                       |                      |                                   |                                       |                                     |                                                          |
| Instruction:                                                                          |                      |                                   |                                       |                                     |                                                          |
| Regular . . . . .                                                                     | \$ 10,369,703        | \$ 1,011,221                      | \$ 411,411                            | \$ -                                | \$ (8,947,071)                                           |
| Special . . . . .                                                                     | 3,836,656            | 260,584                           | 1,971,936                             | -                                   | (1,604,136)                                              |
| Vocational . . . . .                                                                  | 104,494              | 11,353                            | 17,944                                | -                                   | (75,197)                                                 |
| Other . . . . .                                                                       | 259,673              | -                                 | -                                     | -                                   | (259,673)                                                |
| Support services:                                                                     |                      |                                   |                                       |                                     |                                                          |
| Pupil . . . . .                                                                       | 1,331,504            | -                                 | 51,455                                | -                                   | (1,280,049)                                              |
| Instructional staff . . . . .                                                         | 1,476,900            | -                                 | 571,355                               | -                                   | (905,545)                                                |
| Board of education . . . . .                                                          | 33,537               | -                                 | -                                     | -                                   | (33,537)                                                 |
| Administration . . . . .                                                              | 2,201,280            | -                                 | 43,216                                | -                                   | (2,158,064)                                              |
| Fiscal . . . . .                                                                      | 440,784              | -                                 | 1,751                                 | -                                   | (439,033)                                                |
| Operations and maintenance . . . . .                                                  | 2,249,725            | -                                 | 110,660                               | 94,703                              | (2,044,362)                                              |
| Pupil transportation . . . . .                                                        | 1,699,821            | 66,001                            | 30,822                                | -                                   | (1,602,998)                                              |
| Central . . . . .                                                                     | 133,918              | -                                 | 3,229                                 | -                                   | (130,689)                                                |
| Operation of non-instructional<br>services:                                           |                      |                                   |                                       |                                     |                                                          |
| Food service operations . . . . .                                                     | 932,011              | 244,236                           | 639,874                               | -                                   | (47,901)                                                 |
| Extracurricular activities . . . . .                                                  | 602,937              | 187,417                           | 33,154                                | -                                   | (382,366)                                                |
| Interest and fiscal charges . . . . .                                                 | 1,020,933            | -                                 | -                                     | -                                   | (1,020,933)                                              |
| <b>Totals . . . . .</b>                                                               | <b>\$ 26,693,876</b> | <b>\$ 1,780,812</b>               | <b>\$ 3,886,807</b>                   | <b>\$ 94,703</b>                    | <b>(20,931,554)</b>                                      |
| <b>General Revenues:</b>                                                              |                      |                                   |                                       |                                     |                                                          |
| Property taxes levied for:                                                            |                      |                                   |                                       |                                     |                                                          |
| General purposes . . . . .                                                            |                      |                                   |                                       |                                     | 4,600,383                                                |
| Special revenue . . . . .                                                             |                      |                                   |                                       |                                     | 69,591                                                   |
| Debt service . . . . .                                                                |                      |                                   |                                       |                                     | 1,609,764                                                |
| Capital projects . . . . .                                                            |                      |                                   |                                       |                                     | 221,200                                                  |
| Grants and entitlements not restricted<br>to specific programs . . . . .              |                      |                                   |                                       |                                     | 12,078,919                                               |
| Grants and entitlements restricted for<br>Ohio School Facilities Commission . . . . . |                      |                                   |                                       |                                     | 206,355                                                  |
| Investment earnings . . . . .                                                         |                      |                                   |                                       |                                     | 159,830                                                  |
| Miscellaneous . . . . .                                                               |                      |                                   |                                       |                                     | 292,334                                                  |
| Total general revenues . . . . .                                                      |                      |                                   |                                       |                                     | 19,238,376                                               |
| Change in net assets . . . . .                                                        |                      |                                   |                                       |                                     | (1,693,178)                                              |
| <b>Net assets at beginning of year . . . . .</b>                                      |                      |                                   |                                       |                                     | 55,751,923                                               |
| <b>Net assets at end of year . . . . .</b>                                            |                      |                                   |                                       |                                     | \$ 54,058,745                                            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

|                                                         | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Classroom<br/>Facilities</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------------------------|---------------------|-------------------------|---------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Assets:</b>                                          |                     |                         |                                 |                                         |                                         |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 1,659,785        | \$ 1,027,131            | \$ 2,389,631                    | \$ 2,051,805                            | \$ 7,128,352                            |
| Receivables:                                            |                     |                         |                                 |                                         |                                         |
| Taxes . . . . .                                         | 5,366,524           | 1,931,950               | -                               | 449,366                                 | 7,747,840                               |
| Accounts . . . . .                                      | 46,434              | -                       | -                               | -                                       | 46,434                                  |
| Intergovernmental . . . . .                             | 26,107              | -                       | 129,519                         | 445,726                                 | 601,352                                 |
| Interfund loans . . . . .                               | 28,839              | -                       | -                               | -                                       | 28,839                                  |
| Loans . . . . .                                         | 1,780               | -                       | -                               | -                                       | 1,780                                   |
| Prepayments . . . . .                                   | 35,875              | -                       | -                               | 5,102                                   | 40,977                                  |
| Materials and supplies inventory . . . . .              | 123,453             | -                       | -                               | 14,579                                  | 138,032                                 |
| Due from other funds . . . . .                          | 25,948              | -                       | -                               | -                                       | 25,948                                  |
| Restricted assets:                                      |                     |                         |                                 |                                         |                                         |
| Equity in pooled cash<br>and cash equivalents . . . . . | -                   | -                       | 285,351                         | -                                       | 285,351                                 |
| Total assets . . . . .                                  | <u>\$ 7,314,745</u> | <u>\$ 2,959,081</u>     | <u>\$ 2,804,501</u>             | <u>\$ 2,966,578</u>                     | <u>\$ 16,044,905</u>                    |
| <b>Liabilities:</b>                                     |                     |                         |                                 |                                         |                                         |
| Accounts payable . . . . .                              | \$ 124,813          | \$ -                    | \$ -                            | \$ 28,101                               | \$ 152,914                              |
| Contracts payable . . . . .                             | -                   | -                       | 575,657                         | 123,794                                 | 699,451                                 |
| Retainage payable . . . . .                             | -                   | -                       | 285,351                         | -                                       | 285,351                                 |
| Accrued wages and benefits . . . . .                    | 1,052,557           | -                       | -                               | 229,338                                 | 1,281,895                               |
| Pension obligation payable . . . . .                    | 299,861             | -                       | -                               | 103,669                                 | 403,530                                 |
| Compensated absences payable . . . . .                  | 38,475              | -                       | -                               | -                                       | 38,475                                  |
| Intergovernmental payable . . . . .                     | 46,402              | -                       | -                               | 10,841                                  | 57,243                                  |
| Interfund loans payable . . . . .                       | -                   | -                       | -                               | 28,839                                  | 28,839                                  |
| Deferred revenue . . . . .                              | 443,101             | 150,118                 | 129,519                         | 202,664                                 | 925,402                                 |
| Unearned revenue . . . . .                              | 4,881,398           | 1,757,304               | -                               | 408,744                                 | 7,047,446                               |
| Due to other funds . . . . .                            | -                   | -                       | -                               | 25,948                                  | 25,948                                  |
| Total liabilities . . . . .                             | <u>6,886,607</u>    | <u>1,907,422</u>        | <u>990,527</u>                  | <u>1,161,938</u>                        | <u>10,946,494</u>                       |
| <b>Fund Balances:</b>                                   |                     |                         |                                 |                                         |                                         |
| Nonspendable:                                           |                     |                         |                                 |                                         |                                         |
| Materials and supplies inventory . . . . .              | 123,453             | -                       | -                               | 14,579                                  | 138,032                                 |
| Prepays . . . . .                                       | 35,875              | -                       | -                               | 5,102                                   | 40,977                                  |
| Restricted:                                             |                     |                         |                                 |                                         |                                         |
| Debt service . . . . .                                  | -                   | 1,051,659               | -                               | -                                       | 1,051,659                               |
| Capital improvements . . . . .                          | -                   | -                       | 1,813,974                       | 687,477                                 | 2,501,451                               |
| Classroom facilities maintenance . . . . .              | -                   | -                       | -                               | 501,865                                 | 501,865                                 |
| Food service operations . . . . .                       | -                   | -                       | -                               | 189,616                                 | 189,616                                 |
| Non-public schools . . . . .                            | -                   | -                       | -                               | 8,549                                   | 8,549                                   |
| Public school preschool . . . . .                       | -                   | -                       | -                               | 1,664                                   | 1,664                                   |
| Special education . . . . .                             | -                   | -                       | -                               | 26,448                                  | 26,448                                  |
| Targeted academic assistance . . . . .                  | -                   | -                       | -                               | 88,881                                  | 88,881                                  |
| Other purposes . . . . .                                | -                   | -                       | -                               | 63,053                                  | 63,053                                  |
| Extracurricular . . . . .                               | -                   | -                       | -                               | 31,939                                  | 31,939                                  |
| Committed:                                              |                     |                         |                                 |                                         |                                         |
| Capital improvements . . . . .                          | -                   | -                       | -                               | 185,475                                 | 185,475                                 |
| Termination benefits . . . . .                          | 66,354              | -                       | -                               | -                                       | 66,354                                  |
| Assigned:                                               |                     |                         |                                 |                                         |                                         |
| Subsequent year appropriations . . . . .                | 166,304             | -                       | -                               | -                                       | 166,304                                 |
| Uniform school supplies . . . . .                       | 13,055              | -                       | -                               | -                                       | 13,055                                  |
| Public school support . . . . .                         | 23,097              | -                       | -                               | -                                       | 23,097                                  |
| Unassigned (deficit) . . . . .                          | -                   | -                       | -                               | (8)                                     | (8)                                     |
| Total fund balances . . . . .                           | <u>428,138</u>      | <u>1,051,659</u>        | <u>1,813,974</u>                | <u>1,804,640</u>                        | <u>5,098,411</u>                        |
| Total liabilities and fund balances . . . . .           | <u>\$ 7,314,745</u> | <u>\$ 2,959,081</u>     | <u>\$ 2,804,501</u>             | <u>\$ 2,966,578</u>                     | <u>\$ 16,044,905</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

|                                                                                                                                            |    |              |              |
|--------------------------------------------------------------------------------------------------------------------------------------------|----|--------------|--------------|
| <b>Total governmental fund balances</b>                                                                                                    |    | \$           | 5,098,411    |
| <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>                                  |    |              |              |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                    |    |              | 71,682,336   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.                   |    |              |              |
| Taxes receivable                                                                                                                           | \$ | 602,029      |              |
| Intergovernmental receivable                                                                                                               |    | 323,373      |              |
| Total                                                                                                                                      |    | 925,402      | 925,402      |
| Unamortized bond issuance costs are not recognized in the funds.                                                                           |    |              | 234,325      |
| Unamortized premiums on bond issuances not recognized in the funds.                                                                        |    |              | (270,126)    |
| On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.    |    |              | (79,827)     |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. |    |              |              |
| General obligation bonds                                                                                                                   |    | (22,040,000) |              |
| Compensated absences                                                                                                                       |    | (1,491,776)  |              |
| Total                                                                                                                                      |    | (23,531,776) | (23,531,776) |
| <b>Net assets of governmental activities</b>                                                                                               |    | \$           | 54,058,745   |

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, 2012

|                                                                     | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Classroom<br/>Facilities</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------------------------------------|-------------------|-------------------------|---------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Revenues:</b>                                                    |                   |                         |                                 |                                         |                                         |
| From local sources:                                                 |                   |                         |                                 |                                         |                                         |
| Taxes . . . . .                                                     | \$ 4,591,742      | \$ 1,589,403            | \$ -                            | \$ 282,906                              | \$ 6,464,051                            |
| Tuition . . . . .                                                   | 1,250,501         | -                       | -                               | -                                       | 1,250,501                               |
| Transportation fees . . . . .                                       | 66,001            | -                       | -                               | -                                       | 66,001                                  |
| Earnings on investments . . . . .                                   | 69,435            | -                       | 85,122                          | 29,380                                  | 183,937                                 |
| Charges for services . . . . .                                      | 2                 | -                       | -                               | 244,236                                 | 244,238                                 |
| Extracurricular . . . . .                                           | 3,630             | -                       | -                               | 183,785                                 | 187,415                                 |
| Classroom materials and fees . . . . .                              | 32,359            | -                       | -                               | -                                       | 32,359                                  |
| Contributions and donations . . . . .                               | 4,710             | -                       | -                               | 211,288                                 | 215,998                                 |
| Other local revenues . . . . .                                      | 304,433           | -                       | -                               | 2,845                                   | 307,278                                 |
| Intergovernmental - state . . . . .                                 | 12,757,270        | 228,939                 | 438,347                         | 302,742                                 | 13,727,298                              |
| Intergovernmental - federal . . . . .                               | -                 | -                       | -                               | 3,007,740                               | 3,007,740                               |
| <b>Total revenues . . . . .</b>                                     | <b>19,080,083</b> | <b>1,818,342</b>        | <b>523,469</b>                  | <b>4,264,922</b>                        | <b>25,686,816</b>                       |
| <b>Expenditures:</b>                                                |                   |                         |                                 |                                         |                                         |
| Current:                                                            |                   |                         |                                 |                                         |                                         |
| Instruction:                                                        |                   |                         |                                 |                                         |                                         |
| Regular . . . . .                                                   | 8,216,562         | -                       | -                               | 734,268                                 | 8,950,830                               |
| Special . . . . .                                                   | 2,199,957         | -                       | -                               | 1,004,339                               | 3,204,296                               |
| Vocational . . . . .                                                | 87,443            | -                       | -                               | -                                       | 87,443                                  |
| Other . . . . .                                                     | 240,346           | -                       | -                               | -                                       | 240,346                                 |
| Support services:                                                   |                   |                         |                                 |                                         |                                         |
| Pupil . . . . .                                                     | 1,082,378         | -                       | -                               | 53,853                                  | 1,136,231                               |
| Instructional staff . . . . .                                       | 520,292           | -                       | -                               | 720,036                                 | 1,240,328                               |
| Board of education . . . . .                                        | 27,594            | -                       | -                               | -                                       | 27,594                                  |
| Administration . . . . .                                            | 1,768,306         | -                       | 3,500                           | 108,073                                 | 1,879,879                               |
| Fiscal . . . . .                                                    | 339,859           | 37,199                  | -                               | 8,739                                   | 385,797                                 |
| Operations and maintenance . . . . .                                | 1,899,710         | -                       | 17,749                          | 157,273                                 | 2,074,732                               |
| Pupil transportation . . . . .                                      | 1,476,583         | -                       | -                               | 4,973                                   | 1,481,556                               |
| Central . . . . .                                                   | 120,870           | -                       | -                               | 4,159                                   | 125,029                                 |
| Operation of non-instructional services:                            |                   |                         |                                 |                                         |                                         |
| Food service operations . . . . .                                   | -                 | -                       | -                               | 809,012                                 | 809,012                                 |
| Extracurricular activities . . . . .                                | 318,325           | -                       | -                               | 203,696                                 | 522,021                                 |
| Facilities acquisition and construction . . . . .                   | -                 | -                       | 5,333,190                       | 239,579                                 | 5,572,769                               |
| Debt service:                                                       |                   |                         |                                 |                                         |                                         |
| Principal retirement . . . . .                                      | -                 | 585,000                 | -                               | -                                       | 585,000                                 |
| Interest and fiscal charges . . . . .                               | -                 | 1,024,240               | -                               | -                                       | 1,024,240                               |
| <b>Total expenditures . . . . .</b>                                 | <b>18,298,225</b> | <b>1,646,439</b>        | <b>5,354,439</b>                | <b>4,048,000</b>                        | <b>29,347,103</b>                       |
| Excess (deficiency) of revenues over (under) expenditures . . . . . | 781,858           | 171,903                 | (4,830,970)                     | 216,922                                 | (3,660,287)                             |
| <b>Other financing sources:</b>                                     |                   |                         |                                 |                                         |                                         |
| Sale of capital assets . . . . .                                    | 55,211            | -                       | -                               | 48,924                                  | 104,135                                 |
| Transfers in . . . . .                                              | -                 | -                       | -                               | 9,495                                   | 9,495                                   |
| Transfers (out) . . . . .                                           | (9,495)           | -                       | -                               | -                                       | (9,495)                                 |
| <b>Total other financing sources . . . . .</b>                      | <b>45,716</b>     | <b>-</b>                | <b>-</b>                        | <b>58,419</b>                           | <b>104,135</b>                          |
| Net change in fund balances . . . . .                               | 827,574           | 171,903                 | (4,830,970)                     | 275,341                                 | (3,556,152)                             |
| <b>Fund balances (deficit) at beginning of year . . . . .</b>       | <b>(428,133)</b>  | <b>879,756</b>          | <b>6,644,944</b>                | <b>1,541,092</b>                        | <b>8,637,659</b>                        |
| <b>Increase (decrease) in reserve for inventory . . . . .</b>       | <b>28,697</b>     | <b>-</b>                | <b>-</b>                        | <b>(11,793)</b>                         | <b>16,904</b>                           |
| <b>Fund balances at end of year . . . . .</b>                       | <b>\$ 428,138</b> | <b>\$ 1,051,659</b>     | <b>\$ 1,813,974</b>             | <b>\$ 1,804,640</b>                     | <b>\$ 5,098,411</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, 2012

**Net change in fund balances - total governmental funds** \$ (3,556,152)

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

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

|                           |    |                  |                  |
|---------------------------|----|------------------|------------------|
| Capital asset additions   | \$ | 3,814,417        |                  |
| Current year depreciation |    | (1,894,061)      |                  |
| <b>Total</b>              |    | <b>1,920,356</b> | <b>1,920,356</b> |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (5,197)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 16,904

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 585,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (675,960)

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

|                                      |  |              |              |
|--------------------------------------|--|--------------|--------------|
| Decrease in accrued interest payable |  | 1,635        |              |
| Amortization of bond issuance costs  |  | (10,941)     |              |
| Amortization of bond premiums        |  | 12,613       |              |
| <b>Total</b>                         |  | <b>3,307</b> | <b>3,307</b> |

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. **18,564**

**Change in net assets of governmental activities** **\$ (1,693,178)**

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, 2012

|                                                       | <u>Budgeted Amounts</u> |                     |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|-------------------------------------------------------|-------------------------|---------------------|---------------------|-------------------------------------------------------------------|
|                                                       | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |                                                                   |
| <b>Revenues:</b>                                      |                         |                     |                     |                                                                   |
| From local sources:                                   |                         |                     |                     |                                                                   |
| Property taxes . . . . .                              | \$ 4,387,503            | \$ 4,681,502        | \$ 4,681,502        | \$ -                                                              |
| Tuition . . . . .                                     | 1,171,969               | 1,250,501           | 1,250,501           | -                                                                 |
| Transportation fees . . . . .                         | 61,856                  | 66,001              | 66,001              | -                                                                 |
| Earnings on investments . . . . .                     | 65,074                  | 69,435              | 69,435              | -                                                                 |
| Contract services. . . . .                            | 522                     | 557                 | 557                 | -                                                                 |
| Other local revenues . . . . .                        | 274,092                 | 292,459             | 292,459             | -                                                                 |
| Intergovernmental - state . . . . .                   | 11,956,108              | 12,757,270          | 12,757,270          | -                                                                 |
| <b>Total revenues . . . . .</b>                       | <u>17,917,124</u>       | <u>19,117,725</u>   | <u>19,117,725</u>   | <u>-</u>                                                          |
| <b>Expenditures:</b>                                  |                         |                     |                     |                                                                   |
| Current:                                              |                         |                     |                     |                                                                   |
| Instruction:                                          |                         |                     |                     |                                                                   |
| Regular . . . . .                                     | 8,172,913               | 8,412,523           | 8,427,809           | (15,286)                                                          |
| Special. . . . .                                      | 2,173,274               | 2,236,991           | 2,241,055           | (4,064)                                                           |
| Vocational. . . . .                                   | 80,248                  | 82,601              | 82,751              | (150)                                                             |
| Other . . . . .                                       | 233,077                 | 239,910             | 240,346             | (436)                                                             |
| Support services:                                     |                         |                     |                     |                                                                   |
| Pupil. . . . .                                        | 1,051,634               | 1,082,466           | 1,084,433           | (1,967)                                                           |
| Instructional staff. . . . .                          | 506,049                 | 520,886             | 521,832             | (946)                                                             |
| Board of education . . . . .                          | 28,534                  | 29,371              | 29,424              | (53)                                                              |
| Administration . . . . .                              | 1,811,601               | 1,864,714           | 1,868,102           | (3,388)                                                           |
| Fiscal . . . . .                                      | 347,653                 | 357,846             | 358,496             | (650)                                                             |
| Operations and maintenance . . . . .                  | 1,930,471               | 1,987,069           | 1,990,679           | (3,610)                                                           |
| Pupil transportation . . . . .                        | 1,511,850               | 1,556,175           | 1,559,002           | (2,827)                                                           |
| Central. . . . .                                      | 121,028                 | 124,577             | 124,803             | (226)                                                             |
| Extracurricular activities. . . . .                   | 306,915                 | 315,913             | 316,487             | (574)                                                             |
| <b>Total expenditures . . . . .</b>                   | <u>18,275,247</u>       | <u>18,811,042</u>   | <u>18,845,219</u>   | <u>(34,177)</u>                                                   |
| Excess expenditures over revenues. . . . .            | (358,123)               | 306,683             | 272,506             | (34,177)                                                          |
| <b>Other financing sources (uses):</b>                |                         |                     |                     |                                                                   |
| Refund of prior year's expenditures . . . . .         | 31,132                  | 33,218              | 33,218              | -                                                                 |
| Transfers (out). . . . .                              | (178,914)               | (184,159)           | (184,494)           | (335)                                                             |
| Advances in. . . . .                                  | -                       | -                   | 537,351             | 537,351                                                           |
| Advances (out) . . . . .                              | -                       | -                   | (391,167)           | (391,167)                                                         |
| Sale of capital assets . . . . .                      | 51,744                  | 55,211              | 55,211              | -                                                                 |
| <b>Total other financing sources (uses) . . . . .</b> | <u>(96,038)</u>         | <u>(95,730)</u>     | <u>50,119</u>       | <u>145,849</u>                                                    |
| Net change in fund balance . . . . .                  | (454,161)               | 210,953             | 322,625             | 111,672                                                           |
| <b>Fund balance at beginning of year . . . . .</b>    | 550,590                 | 550,590             | 550,590             | -                                                                 |
| <b>Prior year encumbrances appropriated . . . . .</b> | 254,161                 | 254,161             | 254,161             | -                                                                 |
| <b>Fund balance at end of year . . . . .</b>          | <u>\$ 350,590</u>       | <u>\$ 1,015,704</u> | <u>\$ 1,127,376</u> | <u>\$ 111,672</u>                                                 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

|                                                         | <u>Private-Purpose<br/>Trust</u> |                  |
|---------------------------------------------------------|----------------------------------|------------------|
|                                                         | <u>Scholarship</u>               | <u>Agency</u>    |
| <b>Assets:</b>                                          |                                  |                  |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 23,394                        | \$ 39,238        |
| Total assets . . . . .                                  | <u>23,394</u>                    | <u>\$ 39,238</u> |
| <b>Liabilities:</b>                                     |                                  |                  |
| Accounts payable. . . . .                               | -                                | \$ 1,208         |
| Loans payable. . . . .                                  | -                                | 1,780            |
| Due to students . . . . .                               | -                                | 36,250           |
| Total liabilities . . . . .                             | <u>-</u>                         | <u>\$ 39,238</u> |
| <b>Net assets:</b>                                      |                                  |                  |
| Held in trust for scholarships . . . . .                | <u>23,394</u>                    |                  |
| Total net assets . . . . .                              | <u>\$ 23,394</u>                 |                  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALLIPOLIS CITY SCHOOL DISTRICT**  
**GALLIA COUNTY, OHIO**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

|                                                  | <b>Private-Purpose<br/>Trust</b> |
|--------------------------------------------------|----------------------------------|
|                                                  | <b>Scholarship</b>               |
| <b>Additions:</b>                                |                                  |
| Interest . . . . .                               | \$ 470                           |
| <b>Deductions:</b>                               |                                  |
| Scholarships awarded . . . . .                   | 2,000                            |
| Change in net assets. . . . .                    | (1,530)                          |
| <b>Net assets at beginning of year . . . . .</b> | <b>24,924</b>                    |
| <b>Net assets at end of year. . . . .</b>        | <b>\$ 23,394</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, 2012**

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

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

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

The District ranks as the 217<sup>th</sup> largest by enrollment among the 918 public school districts and community schools in the State. It currently operates 3 elementary schools, 1 middle school and 1 high school. The District employs 159 certified and 98 classified full-time and part-time employees to provide services to approximately 2,122 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

*JOINTLY GOVERNED ORGANIZATION*

Gallia-Jackson-Vinton Joint Vocational School District

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

Schools of Ohio Risk Sharing Authority

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

*FIDUCIARY FUNDS*

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

**E. Budgets**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2012.
3. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
4. All funds, other than agency funds, are legally required to be budgeted and appropriated. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2012. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. During fiscal year 2012, the District had no investments. All monies of the pool were maintained in depository accounts with financial institutions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$69,435, which includes \$41,564 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintained a capitalization threshold of \$1,500 during fiscal year 2012. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|----------------------------|--------------------------------------------------------|
| Land improvements          | 20 years                                               |
| Buildings and improvements | 10 - 50 years                                          |
| Furniture and equipment    | 5 - 20 years                                           |
| Vehicles                   | 8 years                                                |

**I. Interfund Balances**

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

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

**J. Compensated Absences**

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service or employees with 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

**L. Fund Balance**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

**M. Net 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.

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.

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

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amounts held for retainage related to construction projects. See Note 4.A for detail.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**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 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

| <u>Nonmajor governmental funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Stimulus Title II-D                | \$ 8           |

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

**A. Restricted Cash**

At fiscal year end, \$285,351 was on deposit with a bank for retainage held as part of the District's construction contracts. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "restricted cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$7,476,335. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$291,251 of the District's bank balance of \$7,466,912 was covered by the Federal Deposit Insurance Corporation, while \$7,175,661 was exposed to custodial risk as discussed below.

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

**C. Investments**

The District had no investments at June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2012:

|                                                         |                     |
|---------------------------------------------------------|---------------------|
| <u>Cash and investments per note</u>                    |                     |
| Carrying amount of deposits                             | <u>\$ 7,476,335</u> |
| Total                                                   | <u>\$ 7,476,335</u> |
| <u>Cash and investments per statement of net assets</u> |                     |
| Governmental activities                                 | \$ 7,413,703        |
| Private-purpose trust fund                              | 23,394              |
| Agency fund                                             | <u>39,238</u>       |
| Total                                                   | <u>\$ 7,476,335</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the fiscal year ended June 30, 2012, consisted of the following, as reported on the fund statements:

|                                            |                 |
|--------------------------------------------|-----------------|
|                                            | <u>Amount</u>   |
| <u>Transfers from the general fund to:</u> |                 |
| Nonmajor governmental funds                | <u>\$ 9,495</u> |

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

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

- B. Interfund loans receivable/payable consisted of the following at June 30, 2012, as reported on the fund statements:

|                        |                             |                  |
|------------------------|-----------------------------|------------------|
| <u>Receivable fund</u> | <u>Payable fund</u>         | <u>Amount</u>    |
| General fund           | Nonmajor governmental funds | <u>\$ 28,839</u> |

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

| <u>Loan from</u> | <u>Loan to</u> | <u>Amount</u>   |
|------------------|----------------|-----------------|
| General fund     | Agency fund    | <u>\$ 1,780</u> |

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

- D. Interfund balances at June 30, 2012, as reported on the fund statements, consist of the following amounts due to/from other funds:

| <u>Receivable fund</u> | <u>Payable fund</u>        | <u>Amount</u>    |
|------------------------|----------------------------|------------------|
| General fund           | Nonmajor governmental fund | <u>\$ 25,948</u> |

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

Interfund balances 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 and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$68,132 in the general fund, \$24,528 in the debt service fund, \$4,078 in the permanent improvement fund (a nonmajor governmental fund) and \$1,627 in the classroom facilities fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$186,950 in the general fund, \$60,536 in the debt service fund, \$8,368 in the permanent improvement fund (a nonmajor governmental fund) and \$4,208 in the classroom facilities fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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 2012 taxes were collected are:

|                                                   | 2011 Second<br>Half Collections |                | 2012 First<br>Half Collections |                |
|---------------------------------------------------|---------------------------------|----------------|--------------------------------|----------------|
|                                                   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 227,553,130                  | 94.85          | \$ 227,524,060                 | 94.95          |
| Public utility personal                           | 12,060,990                      | 5.03           | 12,090,060                     | 5.05           |
| Tangible personal property                        | <u>289,910</u>                  | <u>0.12</u>    | <u>-</u>                       | <u>-</u>       |
| Total                                             | <u>\$ 239,904,030</u>           | <u>100.00</u>  | <u>\$ 239,614,120</u>          | <u>100.00</u>  |

Tax rate per \$1,000 of  
assessed valuation for:

|                        |         |         |
|------------------------|---------|---------|
| General operations     | \$31.00 | \$31.00 |
| Bond retirement        | 7.20    | 7.20    |
| Permanent improvements | 1.50    | 1.50    |

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts, intergovernmental grants and entitlements and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

|                   |                     |
|-------------------|---------------------|
| Taxes             | \$ 7,747,840        |
| Accounts          | 46,434              |
| Intergovernmental | 601,352             |
| Loans             | <u>1,780</u>        |
| Total             | <u>\$ 8,397,406</u> |

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

|                                                    | Balance              |                      |                        | Balance              |
|----------------------------------------------------|----------------------|----------------------|------------------------|----------------------|
|                                                    | <u>06/30/11</u>      | <u>Additions</u>     | <u>Deletions</u>       | <u>06/30/12</u>      |
| <b><u>Governmental activities:</u></b>             |                      |                      |                        |                      |
| <i>Capital assets, not being depreciated:</i>      |                      |                      |                        |                      |
| Land                                               | \$ 1,179,750         | \$ -                 | \$ -                   | \$ 1,179,750         |
| Construction-in-progress                           | <u>28,112,000</u>    | <u>3,551,826</u>     | <u>(31,663,826)</u>    | <u>-</u>             |
| <i>Total capital assets, not being depreciated</i> | <u>29,291,750</u>    | <u>3,551,826</u>     | <u>(31,663,826)</u>    | <u>1,179,750</u>     |
| <i>Capital assets, being depreciated:</i>          |                      |                      |                        |                      |
| Land improvements                                  | 2,483,733            | -                    | -                      | 2,483,733            |
| Buildings and improvements                         | 40,741,453           | 29,792,612           | (8,700)                | 70,525,365           |
| Equipment and furniture                            | 1,542,199            | 2,054,939            | (7,000)                | 3,590,138            |
| Vehicles                                           | <u>2,048,964</u>     | <u>78,866</u>        | <u>-</u>               | <u>2,127,830</u>     |
| <i>Total capital assets, being depreciated</i>     | <u>46,816,349</u>    | <u>31,926,417</u>    | <u>(15,700)</u>        | <u>78,727,066</u>    |
| <i>Less: accumulated depreciation:</i>             |                      |                      |                        |                      |
| Land improvements                                  | (705,130)            | (103,052)            | -                      | (808,182)            |
| Buildings and improvements                         | (3,502,829)          | (1,406,487)          | 5,400                  | (4,903,916)          |
| Equipment and furniture                            | (577,533)            | (265,106)            | 5,103                  | (837,536)            |
| Vehicles                                           | <u>(1,555,430)</u>   | <u>(119,416)</u>     | <u>-</u>               | <u>(1,674,846)</u>   |
| <i>Total accumulated depreciation</i>              | <u>(6,340,922)</u>   | <u>(1,894,061)</u>   | <u>10,503</u>          | <u>(8,224,480)</u>   |
| Total capital assets, net                          | <u>\$ 69,767,177</u> | <u>\$ 33,584,182</u> | <u>\$ (31,669,023)</u> | <u>\$ 71,682,336</u> |

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Depreciation expense was charged to the governmental functions as follows:

|                                                 |                     |
|-------------------------------------------------|---------------------|
| <u>Instruction:</u>                             |                     |
| Regular                                         | \$ 876,014          |
| Special                                         | 348,384             |
| Vocational                                      | 8,960               |
| <u>Support services:</u>                        |                     |
| Pupil                                           | 89,263              |
| Instructional staff                             | 135,636             |
| Board of Education                              | 3,724               |
| Administration                                  | 202,643             |
| Fiscal                                          | 21,965              |
| Pupil transportation                            | 119,416             |
| <u>Operation on non-instructional services:</u> |                     |
| Food service operations                         | 49,117              |
| Extracurricular activities                      | <u>38,939</u>       |
| Total depreciation expense                      | <u>\$ 1,894,061</u> |

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

| <u>Governmental activities:</u>  | <u>Balance</u><br><u>6/30/11</u> | <u>Increases</u> | <u>Decreases</u>    | <u>Balance</u><br><u>6/30/12</u> | <u>Amounts Due</u><br><u>In One Year</u> |
|----------------------------------|----------------------------------|------------------|---------------------|----------------------------------|------------------------------------------|
| General obligation bonds         | \$ 22,625,000                    | \$ -             | \$ (585,000)        | \$ 22,040,000                    | \$ 610,000                               |
| Compensated absences             | <u>1,585,315</u>                 | <u>99,396</u>    | <u>(154,460)</u>    | <u>1,530,251</u>                 | <u>106,282</u>                           |
| Total                            | <u>\$ 24,210,315</u>             | <u>\$ 99,396</u> | <u>\$ (739,460)</u> | 23,570,251                       | <u>\$ 716,282</u>                        |
| Unamortized premium              |                                  |                  |                     | <u>270,126</u>                   |                                          |
| Total on statement of net assets |                                  |                  |                     | <u>\$ 23,840,377</u>             |                                          |

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the OSFC. The OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2012, the total estimated cost of the Construction Project is \$27,925,959, of which the OSFC will pay approximately \$17,872,614.

During fiscal year 2009, the OSFC has also approved funding of \$17,010,726 for elementary school construction projects.

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

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

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

| Year Ended  | General Obligation Bonds |                      |                      |       |
|-------------|--------------------------|----------------------|----------------------|-------|
|             | June 30                  | Principal            | Interest             | Total |
| 2013        | \$ 610,000               | \$ 1,012,540         | \$ 1,622,540         |       |
| 2014        | 635,000                  | 988,140              | 1,623,140            |       |
| 2015        | 660,000                  | 962,740              | 1,622,740            |       |
| 2016        | 685,000                  | 936,340              | 1,621,340            |       |
| 2017        | 715,000                  | 908,940              | 1,623,940            |       |
| 2018 - 2022 | 4,105,000                | 4,003,553            | 8,108,553            |       |
| 2023 - 2027 | 5,135,000                | 2,975,850            | 8,110,850            |       |
| 2028 - 2032 | 6,460,000                | 1,647,875            | 8,107,875            |       |
| 2033 - 2034 | 3,035,000                | 206,325              | 3,241,325            |       |
| Total       | <u>\$ 22,040,000</u>     | <u>\$ 13,642,303</u> | <u>\$ 35,682,303</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, 2012, the District has a legal debt margin of \$576,930, the legal unvoted debt margin was \$239,614, and the legal energy conservation debt margin was \$2,156,527.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 10 - RISK MANAGEMENT**

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

During fiscal year 2012, the District purchased general liability insurance through the Schools of Ohio Risk Sharing Authority (SORSA), which carried a \$12 million per occurrence and \$14 million annual aggregate limitation.

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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

*OSBA WORKERS' COMPENSATION GROUP RATING PROGRAM*

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

**GALLIPOLIS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 11 - PENSION PLANS - (Continued)**

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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$324,173, \$299,712 and \$315,530, respectively; 67.27 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

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

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

Funding Policy - For fiscal year 2012, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 11 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,249,428, \$1,300,548 and \$1,363,969, respectively; 83.27 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$36,736 made by the District and \$26,240 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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 (latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$51,387, \$73,638 and \$45,418, respectively; 67.27 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, 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, 2012, 2011, and 2010 were \$19,144, \$19,287 and \$18,764, respectively; 67.27 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$96,110, \$100,042 and \$104,921, respectively; 83.27 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**GALLIPOLIS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

|                                         | <u>General fund</u> |
|-----------------------------------------|---------------------|
| Budget basis                            | \$ 322,625          |
| Net adjustment for revenue accruals     | (90,442)            |
| Net adjustment for expenditure accruals | 186,642             |
| Net adjustment for other sources/uses   | (4,403)             |
| Funds budgeted elsewhere                | 15,745              |
| Adjustment for encumbrances             | 397,407             |
| GAAP basis                              | \$ 827,574          |

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 14 - CONTINGENCIES**

**A. Grants and ADM**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigations**

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

**NOTE 15 - SET-ASIDES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

|                                                                             | <u>Capital<br/>Improvements</u> |
|-----------------------------------------------------------------------------|---------------------------------|
| Set-aside balance June 30, 2011                                             | \$ -                            |
| Current year set-aside requirement                                          | 373,346                         |
| Contributions in excess of the current<br>fiscal year set-aside requirement | -                               |
| Current year qualifying expenditures                                        | -                               |
| Excess qualified expenditures from prior years                              | -                               |
| Current year offsets                                                        | (325,918)                       |
| Waiver granted by ODE                                                       | -                               |
| Prior year offset from bond proceeds                                        | <u>(47,428)</u>                 |
| Total                                                                       | <u>\$ -</u>                     |
| Balance carried forward to fiscal year 2013                                 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2012                                             | <u>\$ -</u>                     |

During a prior fiscal year, the District issued \$25,000,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$23,217,857 at June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 2012, the District was obligated for the following contracts:

| <u>Contractor</u>               | <u>Contract<br/>Amount</u> | <u>Payments<br/>as of<br/>6/30/2012</u> | <u>Contract<br/>Balance at<br/>6/30/2012</u> |
|---------------------------------|----------------------------|-----------------------------------------|----------------------------------------------|
| A J Stockmeister Inc.           | \$ 44,058                  | \$ 18,610                               | \$ 25,448                                    |
| Claypool Electric, Inc.         | 1,597,571                  | 1,337,015                               | 260,556                                      |
| Continental Office Environments | 69,459                     | 57,229                                  | 12,230                                       |
| Econco                          | 268,151                    | 196,992                                 | 71,159                                       |
| Martin Public Seating           | 39,984                     | 37,550                                  | 2,434                                        |
| Mechanical Construction         | 74,500                     | -                                       | 74,500                                       |
| Nitro Electric Company          | 3,815                      | -                                       | 3,815                                        |
| Nuko, Inc.                      | 195,000                    | -                                       | 195,000                                      |
| Reddy Electric Co.              | 7,971                      | 5,604                                   | 2,367                                        |
| SBD Commercial Interior         | 15,281                     | 14,366                                  | 915                                          |
| Tom Sexton & Associates         | 19,996                     | 18,106                                  | 1,890                                        |
| TP Mechanical Construction      | 12,433                     | 53                                      | 12,380                                       |
| Trimat Construction, Inc.       | 1,773,070                  | 1,116,409                               | 656,661                                      |
| Wasserstrom Co.                 | 221,370                    | 63,453                                  | 157,917                                      |
|                                 | <u>\$ 4,342,659</u>        | <u>\$ 2,865,387</u>                     | <u>\$ 1,477,272</u>                          |

**NOTE 17 - OTHER COMMITMENTS**

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

| <u>Fund</u>          | <u>Year - End<br/>Encumbrances</u> |
|----------------------|------------------------------------|
| General              | \$ 316,986                         |
| Classroom facilities | 877,134                            |
| Other governmental   | <u>109,198</u>                     |
| Total                | <u>\$ 1,303,318</u>                |

**Gallipolis City School District**  
**Gallia County**  
Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2012

| Federal Grantor/<br>Pass Through Grantor/<br>Program Title                      | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts     | Non-Cash<br>Receipts | Disbursements | Non-Cash<br>Disbursements |
|---------------------------------------------------------------------------------|----------------------------------|---------------------------|--------------|----------------------|---------------|---------------------------|
| <b>United States Department of Agriculture</b>                                  |                                  |                           |              |                      |               |                           |
| <i>Passed through Ohio Department of Education</i>                              |                                  |                           |              |                      |               |                           |
| <i>Child Nutrition Cluster:</i>                                                 |                                  |                           |              |                      |               |                           |
| School Breakfast Program                                                        | 3L70                             | 10.553                    | \$ 159,648   | \$ -                 | \$ 159,648    | \$ -                      |
| National School Lunch Program                                                   | 3L60                             | 10.555                    | 420,686      | 32,308               | 420,686       | 32,308                    |
| Total Child Nutrition Cluster                                                   |                                  |                           | 580,334      | 32,308               | 580,334       | 32,308                    |
| <b>Total United States Department of Agriculture</b>                            |                                  |                           | 580,334      | 32,308               | 580,334       | 32,308                    |
| <b>United States Department of Education</b>                                    |                                  |                           |              |                      |               |                           |
| <i>Passed through Ohio Department of Education</i>                              |                                  |                           |              |                      |               |                           |
| <i>Special Education Cluster (IDEA):</i>                                        |                                  |                           |              |                      |               |                           |
| Special Education - Grants to States                                            | 3M20                             | 84.027                    | 544,714      | -                    | 522,319       | -                         |
| Special Education - Preschool Grants                                            | 3C50                             | 84.173                    | 15,418       | -                    | 14,345        | -                         |
| Special Education - Grants to States, ARRA                                      | 3DJ0                             | 84.391                    | 109,317      | -                    | 48,031        | -                         |
| Total Special Education Cluster (IDEA)                                          |                                  |                           | 669,449      | -                    | 584,695       | -                         |
| <i>Title I, Part A Cluster:</i>                                                 |                                  |                           |              |                      |               |                           |
| Title I Grants to Local Educational Agencies                                    | 3M00                             | 84.010                    | 1,004,889    | -                    | 925,861       | -                         |
| Title I Grants to Local Educational Agencies, ARRA                              | 3DK0                             | 84.389                    | 63,997       | -                    | 44,910        | -                         |
| Total Title I, Part A Cluster                                                   |                                  |                           | 1,068,886    | -                    | 970,771       | -                         |
| <i>Education Technology State Grants Cluster:</i>                               |                                  |                           |              |                      |               |                           |
| Education Technology State Grants                                               | 3S20                             | 84.318                    | 5,624        | -                    | 5,600         | -                         |
| Total Education Technology State Grants                                         |                                  |                           | 5,624        | -                    | 5,600         | -                         |
| Education Jobs Grant                                                            | 3ET0                             | 84.410                    | 546,938      | -                    | 481,175       | -                         |
| Rural Education                                                                 | 3Y80                             | 84.358                    | 58,070       | -                    | 50,912        | -                         |
| Improving Teacher Quality State Grants                                          | 3Y60                             | 84.367                    | 158,575      | -                    | 136,913       | -                         |
| State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA | 3FD0                             | 84.395                    | 120,093      | -                    | 149,546       | -                         |
| <b>Total United States Department of Education</b>                              |                                  |                           | 2,627,635    | -                    | 2,379,612     | -                         |
| <b>Total Federal Financial Assistance</b>                                       |                                  |                           | \$ 3,207,969 | \$ 32,308            | \$ 2,959,946  | \$ 32,308                 |

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

**Gallipolis City School District**  
**Gallia County**  
Notes to Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION**

Nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received as assessed by the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

Federal funds received from the U.S. Department of Agriculture are commingled with state subsidy and local revenue from the sale of meals. It is assumed that federal dollars are expended first.



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

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

[www.bhscpas.com](http://www.bhscpas.com)

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallipolis City School District, Gallia County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2013, wherein we noted the District implemented GASB Statements No. 57 and No. 64. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
January 14, 2013



# Balestra, Harr & Scherer, CPAs, Inc.

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

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

### Compliance

We have audited the compliance of Gallipolis City School District, Gallia County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Gallipolis City School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Gallipolis City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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

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

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

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

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
January 14, 2013

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

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012**

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

|              |                                                                                                          |                                                                                                                                                                                                                                                                                |
|--------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (d)(1)(i)    | Type of Financial Statement Opinion                                                                      | Unqualified                                                                                                                                                                                                                                                                    |
| (d)(1)(ii)   | Were there any material weaknesses reported at the financial statement level (GAGAS)?                    | No                                                                                                                                                                                                                                                                             |
| (d)(1)(ii)   | Were there any other significant control deficiencies reported at the financial statement level (GAGAS)? | No                                                                                                                                                                                                                                                                             |
| (d)(1)(iii)  | Was there any reported noncompliance at the financial statement level (GAGAS)?                           | No                                                                                                                                                                                                                                                                             |
| (d)(1)(iv)   | Were there any material internal control weaknesses reported for major federal programs?                 | No                                                                                                                                                                                                                                                                             |
| (d)(1)(iv)   | Were there any other significant internal control deficiencies reported for major federal programs?      | No                                                                                                                                                                                                                                                                             |
| (d)(1)(v)    | Type of Major Program's Compliance Opinion                                                               | Unqualified                                                                                                                                                                                                                                                                    |
| (d)(1)(vi)   | Are there any reportable findings under §.510(a)?                                                        | No                                                                                                                                                                                                                                                                             |
| (d)(1)(vii)  | Major Programs (list):                                                                                   | <i>Child Nutrition Cluster:</i><br>School Breakfast Program, CFDA# 10.553;<br>National School Lunch Program, CFDA# 10.555<br><br>State Fiscal Stabilization Fund (SFSF), Race-to-the-Top Incentive Grants, Recovery Act, CFDA# 84.395<br><br>Education Jobs Fund, CFDA# 84.410 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs                                                                      | Type A: > \$300,000<br>Type B: all others                                                                                                                                                                                                                                      |
| (d)(1)(ix)   | Low Risk Auditee?                                                                                        | Yes                                                                                                                                                                                                                                                                            |

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

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012**

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

**None noted**

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

**None noted**

**GALLIPOLIS CITY SCHOOL DISTRICT  
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
*OMB CIRCULAR A-133 §.315(b)*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Finding Number | Finding Summary                                                                                              | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--------------------------------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------|
| 2011-001       | A significant deficiency for financial reporting was issued for a prior period adjustment to Capital Assets. | Yes              |                                                                                                                           |

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# Dave Yost • Auditor of State

**GALLIPOLIS CITY SCHOOL DISTRICT**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 26, 2013**