

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 1999***

TRIMBLE, JULIAN & GRUBE, INC.

TJG

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 1999***

ELLEN MARPLE, TREASURER

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

TABLE OF CONTENTS

Independent Auditor's Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2 - 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	6
Combined Statement of Cash Flows - Proprietary Fund Type	7
Notes to the General Purpose Financial Statements	8 - 38
Supplemental Data	
Schedule of Expenditures of Federal Awards	39
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40 - 41
Report on Compliance with Requirements Applicable to Its Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	42 - 43
Schedule of Findings <i>OMB Circular A-133 § .505</i>	44 - 46



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

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

We have reviewed the Independent Auditor's Report of the Gallipolis City School District, Gallia County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1998 through June 30, 1999. 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, appearing to read "Jim Petro", written over a large, stylized flourish.

JIM PETRO
Auditor of State

February 2, 2000

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
SUITE B
WORTHINGTON, OHIO 43085

TELEPHONE 614.846.1899
FACSIMILE 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Gallipolis City School District, Gallia County (the "District"), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

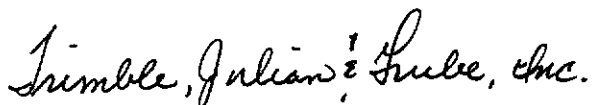
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note 3 to the general purpose financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans in fiscal 1999.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gallipolis City School District, Gallia County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



Trimble, Julian & Grube, Inc.
January 13, 2000

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Agency		General Fixed Assets	General Long-Term Obligations
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$1,546,372	\$409,911	\$576	\$583,219	\$297,761	\$32,469			\$2,870,308		
Receivables (net of allowances of uncollectibles):											
Property taxes - current & delinquent	3,653,710		161,054						3,814,764		
Accounts	26,094								26,094		
Due from other governments.	1,950				1,590				3,540		
Prepayments	69,906	2,889			138				72,933		
Materials and supplies inventory.	66,257				12,426				78,683		
Restricted assets:											
Equity in pooled cash and cash equivalents	267,952								267,952		
Property, plant and equipment (net of accumulated depreciation where applicable)					51,793		\$8,311,157		8,362,950		
OTHER DEBITS:											
Amount available in Debt Service Fund								\$10,123	10,123		
Amount to be provided for retirement of General Long-Term Obligations								1,844,363	1,844,363		
Total assets and other debits	\$5,632,241	\$412,800	\$161,630	\$583,219	\$363,708	\$32,469	\$8,311,157	\$1,854,486	\$17,351,710		

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Agency		General	Long-Term Obligations
										Fixed Assets	
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$74,835	\$21,955			\$248				\$97,038		
Accrued wages and benefits	1,121,934	160,809		\$452	29,008				1,312,203		
Compensated absences payable	34,843				16,492			\$1,202,010	1,253,345		
Pension obligation payable	170,894	26,160		126	13,512			73,176	283,868		
Deferred revenue	3,301,423		\$151,507		9,032				3,461,962		
Due to other governments	8,465								14,570		
Due to students									26,364		
Energy conservation notes payable								\$79,300	579,300		
Total liabilities	4,712,394	208,924	151,507	578	68,292	32,469	1,854,486	7,028,650			
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets								\$8,311,157	8,311,157		
Retained earnings: unreserved					295,416				295,416		
Fund balances:											
Reserved for encumbrances	309,251	190,889				120			500,260		
Reserved for materials and supplies inventory	66,257								66,257		
Reserved for prepayments	69,906	2,889							72,795		
Reserved for debt service			576						576		
Reserved for tax revenue unavailable for appropriation	208,024		9,547						217,571		
Reserved for instructional materials	70,829								70,829		
Reserved for capital improvements	125,843								125,843		
Reserved for budget stabilization	71,280								71,280		
Unreserved-undesignated	(1,543)	10,098					582,521		591,076		
Total equity and other credits	919,847	203,876	10,123	582,641	295,416	32,469	8,311,157	10,323,060			
Total liabilities, equity and other credits	\$5,632,241	\$412,800	\$161,630	\$583,219	\$363,708	\$32,469	\$8,311,157	\$17,351,710			

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$3,627,489		\$158,598		\$3,786,087
Tuition	14,040				14,040
Earnings on investments	171,618				171,618
Extracurricular		\$187,662			187,662
Other local revenues	53,881	60,636			114,517
Intergovernmental - State	7,673,666	666,387		\$80,874	8,420,927
Intergovernmental - Federal	52,498	741,314			793,812
Total revenues	11,593,192	1,655,999	158,598	80,874	13,488,663
Expenditures:					
Current:					
Instruction:					
Regular	5,351,743	587,132		45,265	5,984,140
Special	1,240,522	451,293			1,691,815
Vocational	239,807				239,807
Support services:					
Pupil	562,936	13,530			576,466
Instructional staff	313,607	394,713			708,320
Board of Education	29,334				29,334
Administration	1,002,296	66,118		46,032	1,114,446
Fiscal	265,900				265,900
Operations and maintenance	1,049,455	975		431,796	1,482,226
Pupil transportation	850,388	7,752			858,140
Central	63,500				63,500
Extracurricular activities	195,298	140,733			336,031
Debt service:					
Principal retirement			123,200		123,200
Interest and fiscal charges			36,945		36,945
Total expenditures	11,164,786	1,662,246	160,145	523,093	13,510,270
Excess of revenues over (under) expenditures	428,406	(6,247)	(1,547)	(442,219)	(21,607)
Other financing sources:					
Proceeds from sale of assets	9,912				9,912
Total other financing sources	9,912				9,912
Excess of revenues and other financing sources over (under) expenditures	438,318	(6,247)	(1,547)	(442,219)	(11,695)
Fund balance, July 1	463,496	210,123	11,670	1,024,860	1,710,149
Increase in reserve for inventory	18,033				18,033
Fund balance, June 30	\$919,847	\$203,876	\$10,123	\$582,641	\$1,716,487

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

GALLIAPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,740,267	\$3,740,267	\$0	\$160,721	\$160,721	\$0	\$160,721	\$160,721	\$0	\$160,721	\$160,721	\$0	\$160,721	\$160,721	\$0
Tuition.....	23,504	23,504	504												504
Earnings on investments.....	170,000	173,180	3,180												3,180
Other local revenues.....	77,500	82,179	4,679	\$263,912	\$267,737	\$3,825									\$3,825
Intergovernmental - State.....	7,671,377	7,671,716	339	689,590	685,454	(936)									\$0
Intergovernmental - Federal.....	52,498	52,498	0	974,925	741,314	(233,611)									\$0
Total revenues.....	11,734,442	11,743,344	8,902	1,978,227	1,697,505	(280,722)	160,721	160,721	0	160,721	160,721	0	160,721	160,721	0
Expenditures:															
Current:															
Instruction:															
Regular.....	5,549,039	5,473,979	75,060	641,378	630,121	11,257									11,257
Special.....	1,268,100	1,236,123	31,977	568,554	447,586	120,968									120,968
Vocational.....	245,069	241,422	3,647												
Support services:															
Principal.....	609,013	586,871	22,142	22,517	17,810	4,707									4,707
Instructional staff.....	360,182	334,237	25,945	672,267	480,295	191,972									191,972
Board of Education.....	31,770	27,304	4,466												
Administration.....	1,050,493	1,013,679	36,814	62,828	56,663	6,165									6,165
Fiscal.....	273,690	268,508	5,182	12,524	0	12,524									12,524
Operations and maintenance.....	1,221,385	1,175,552	45,833	975	975	0									0
Pupil transportation.....	1,003,694	995,262	8,432	30,136	10,400	19,736									19,736
Central.....	93,568	90,657	2,911	178,809	169,095	9,714									9,714
Extracurricular activities.....	208,750	200,920	7,830												
Debt service:															
Principal retirement.....				123,200	123,200	0									0
Interest and fiscal changes.....				37,521	36,945	576									576
Total expenditures.....	11,914,573	11,644,314	270,259	2,190,088	1,812,945	377,143	160,721	160,145	576	592,476	575,927	16,549	14,857,858	14,193,531	664,327
Excess of revenues over (under) expenditures.....	(180,131)	98,030	278,961	(261,861)	(115,440)	146,421	0	576	576	(511,602)	(495,053)	16,549	(953,594)	(511,087)	442,507
Other financing sources (uses):															
Proceeds of sale of fixed assets.....	8,000	9,912	1,912												1,912
Refund of prior year's expenditures.....	28,922	33,661	4,739	(464)	(464)	0									0
Refund of prior year's receipts.....	(1,000)	(814)	186	346	346	0									0
Total other financing sources (uses).....	35,922	42,759	6,837	(118)	(118)	0									0
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(144,209)	141,589	285,798	(261,979)	(115,538)	146,421	0	576	576	(511,602)	(495,053)	16,549	(917,790)	(468,446)	449,344
Fund balance, July 1.....	942,276	942,276	0	229,194	229,194	0									0
Prior year encumbrances appropriated.....	353,193	353,193	0	89,971	89,971	0									0
Fund balance, June 30.....	\$1,151,260	\$1,437,058	\$285,798	\$57,186	\$203,607	\$146,421	\$0	\$576	\$576	\$566,530	\$583,099	\$16,549	\$1,774,996	\$2,224,340	\$449,344

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees.	\$43,399
Sales/charges for services.	238,282
Total operating revenues.	281,681
Operating expenses:	
Personal services	255,650
Contract services	14,375
Materials and supplies.	342,241
Depreciation.	7,025
Other.	200
Total operating expenses.	619,491
Operating loss.	(337,810)
Nonoperating revenues:	
Operating grants.	270,006
Federal commodities	49,094
Interest revenue	4,215
Total nonoperating revenues.	323,315
Net loss.	(14,495)
Retained earnings, July 1	309,911
Retained earnings, June 30	\$295,416

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

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$43,399
Cash received from sales/service charges	238,282
Cash payments for personal services	(261,973)
Cash payments for contract services	(14,489)
Cash payments for materials and supplies	(293,622)
Cash payments for other expenses	(200)
Net cash used in operating activities.	(288,603)
Cash flows from noncapital financing activities:	
Cash received from operating grants	268,416
Net cash provided by noncapital financing activities	268,416
Cash flows from capital and related financing activities:	
Acquisition of capital assets.	(500)
Net cash used in capital and related financing activities	(500)
Cash flows from investing activities:	
Interest received.	4,215
Net cash provided by investing activities	4,215
Net decrease in cash and cash equivalents.	(16,472)
Cash and cash equivalents at beginning of year	314,233
Cash and cash equivalents at end of year	\$297,761
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	(\$337,810)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,025
Federal donated commodities	49,094
Changes in assets and liabilities:	
Decrease in supplies inventory.	2,999
Increase in prepayments	(114)
Decrease in accounts payable	(71)
Decrease in accrued wages & benefits.	(3,123)
Decrease in compensated absences payable	(3,572)
Increase in pension obligation payable.	372
Decrease in deferred revenue.	(3,403)
Net cash used in operating activities.	(\$288,603)

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Gallipolis City School 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 204th largest by enrollment among the 612 districts in the State. It currently operates 3 elementary schools and 1 comprehensive high school. The District employs 79 non-certified and 167 certified (including 19 administrative) full-time and part-time employees to provide services to approximately 2,434 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS

In the case of the separate entity listed below the District serves as fiscal agent, but is not accountable as defined in GASB Statement No. 14; accordingly, it has been included in the District's financial statements as an agency fund:

Southeast Ohio Area Media Center

JOINTLY GOVERNED ORGANIZATION

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

South Central Ohio Computer Association - The District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two school treasurers, plus one representative from the fiscal agent. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Treasurer, at 175 Beaver Creek Road, P.O. Box 577, Piketon, Ohio 45661

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

PROPRIETARY FUND

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

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

FIDUCIARY FUND

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

ACCOUNT GROUPS

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance (and recognized as revenue) but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Gallia County Budget Commission for tax rate determination.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

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 1999 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$ 95,125
Special Revenue Funds	136,486
Debt Service Fund	(700)
Capital Projects Funds	33,277
Enterprise Funds	1,000
Agency Funds	(10,723)

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, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 9.

E. Cash and Investments

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

During 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 1999 totaled \$171,618 which included \$83,043 assigned from other funds of the District.

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

F. Inventory

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

G. Prepaids

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

I. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchases

Debt Service Fund

State Property Tax Relief

Special Revenue Fund

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Education for Economic Security
Title VI-B
Title I
Title VI
Drug-Free School Grant
Preschool for the Handicapped
School to Work
Venture Capital
Goals 2000
Instructional Materials Subsidy
Telecommunications Grant

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

Non-Reimbursable Grants - (Continued)

Capital Projects Funds

SchoolNet and SchoolNet Plus
Technology Equity
Emergency Building Repair

Reimbursable Grants

General Fund

Driver Education
Vocational Education Travel/Salary

Proprietary

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to over 67% of the District's operating revenue during the 1999 fiscal year.

J. Compensated Absences

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

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

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

K. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepaids, debt service, tax revenue unavailable for appropriation, instructional materials, capital improvements and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

M. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. *Transfers of resources from one fund to another fund.* The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

There were no interfund transactions for fiscal year 1999.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

N. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$71,280	\$ 71,280
Current year set-aside requirement	161,901	161,901	0	323,802
Current year offsets	(35,777)	0	0	(35,777)
Qualifying disbursements	<u>(55,295)</u>	<u>(36,058)</u>	<u>0</u>	<u>(91,353)</u>
Total	<u>70,829</u>	<u>125,843</u>	<u>71,280</u>	<u>267,952</u>
Cash balance carried forward to FY 2000	<u>\$ 70,829</u>	<u>\$125,843</u>	<u>\$71,280</u>	<u>\$267,952</u>

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for instructional materials	\$ 70,829
Amount restricted for capital acquisition	125,843
Amount restricted for budget stabilization	<u>71,280</u>
Total restricted assets	<u>\$267,952</u>

O. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Enterprise funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

P. Financial Reporting for Proprietary and Similar Fund Types

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

Q. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

R. Estimates

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

S. Memorandum Only - Total Columns

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

In 1999, the District implemented GASB Statement No. 32, Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans. Recent changes in the Internal Revenue Code require that deferred compensation plan assets be placed in trust for the exclusive benefit of employees and their beneficiaries by no later than January 1, 1999. Statement No. 32 provides that, upon the transfer of deferred compensation assets to such a trust, the employer is no longer considered the owner of the amounts deferred by employees under the deferred compensation plan. During 1999, the Ohio Public Employees Deferred Compensation Plan placed assets in trusts to comply with the above requirements, and accordingly, plan assets which totaled \$120,938 as of June 30, 1999 have been excluded from the District's financial statements.

B. Deficit Fund Balances

Fund balances at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>General Fund</u>	\$ (1,543)
<u>Special Revenue Funds</u>	
Title I	(31,103)
Special Education Transition	(15)
Title VI	(535)

These funds complied with Ohio state law which does not permit a cash basis deficit at year end.

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

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

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

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

Deposits: At year-end the carrying amount of the District's deposits was \$99,130 and the bank balance was \$278,388 (both amounts are exclusive of payroll clearance accounts). Of the bank balance:

1. \$100,000 was covered by federal deposit insurance.
2. \$178,388 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	<u>Fair Value</u>
Not Subject to Categorization	
Investment in State	
Treasurer's Investment Pool	<u>\$3,039,130</u>
Total Investments	<u>\$3,039,130</u>

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

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

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

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 3,138,260	
Investments of the Cash Management Pool:		
<i>State Treasurer's Investment Pool</i>	<u>(3,039,130)</u>	<u>\$3,039,130</u>
GASB Statement No. 3	<u>\$ 99,130</u>	<u>\$3,039,130</u>

NOTE 5 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$169,512,316. Agricultural/Residential and public utility real estate represented 54.72% or \$92,758,080 of this total; Commercial & Industrial real estate represented 22.77% or \$38,595,950; public utility tangible 8.61% or \$14,590,020; and general tangible property 13.90% or \$23,568,266. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$27.20 per \$1,000.00 of assessed valuation.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 5 - PROPERTY TAXES - (Continued)

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 6 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$3,653,710
Accounts	26,094
<u>Debt Service Fund</u>	
Taxes - Current & Delinquent	161,054

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 7 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	Balance <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 1999</u>
Land and Buildings	\$3,501,978	\$362,298		\$3,864,276
Furniture/ Equipment	2,840,013	185,377	\$(3,336)	3,022,054
Vehicles	<u>1,365,617</u>	<u>60,990</u>	<u>(1,780)</u>	<u>1,424,827</u>
Total	<u>\$7,707,608</u>	<u>\$608,665</u>	<u>\$(5,116)</u>	<u>\$8,311,157</u>

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 210,755
Less: Accumulated Depreciation	<u>(158,962)</u>
Net Fixed Assets	<u>\$ 51,793</u>

NOTE 8 - LONG-TERM DEBT

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 8 - LONG-TERM DEBT - (Continued)

The following is a description of the District's notes outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 07/01/98</u>	<u>Retired In Fiscal 1999</u>	<u>Bonds Outstanding 06/30/99</u>
Energy Conservation Note	6.25%	12/05/91	12/01/01	\$254,500	\$ 67,200	\$187,300
Energy Conservation Note	5.38%	5/01/97	5/01/06	<u>448,000</u>	<u>56,000</u>	<u>392,000</u>
				<u>\$702,500</u>	<u>\$123,200</u>	<u>\$579,300</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2000	\$127,500	\$30,367	\$157,867
2001	132,000	23,392	155,392
2002	95,800	15,555	111,355
2003	56,000	11,298	67,298
2004	56,000	8,285	64,285
2005-2006	<u>112,000</u>	<u>7,532</u>	<u>119,532</u>
Total	<u>\$579,300</u>	<u>\$96,429</u>	<u>\$675,729</u>

C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation payable will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Compensated Absences				
Sick Leave (severance)	\$ 867,119	\$348,046	\$ (47,053)	\$1,168,112
Vacation	26,022	56,247	(48,371)	33,898
Pension Obligation Payable	69,600	73,176	(69,600)	73,176
Energy Conservation Notes	<u>702,500</u>	<u> </u>	<u>(123,200)</u>	<u>579,300</u>
TOTAL	<u>\$1,665,241</u>	<u>\$477,469</u>	<u>\$(288,224)</u>	<u>\$1,854,486</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 8 - LONG-TERM DEBT - (Continued)

D. Legal Debt Margin

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

The effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$15,266,231 (including available funds of \$10,123) and an unvoted debt margin of \$169,512.

NOTE 9 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Spirit Unlimited. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Spirit Unlimited</u>	<u>Total</u>
Operating Revenue	\$ 238,282	\$ 43,183	\$ 216	\$ 281,681
Depreciation	7,025			7,025
Operating (Loss)	(322,605)	(12,193)	(3,012)	(337,810)
Operating Grants	270,006			270,006
Net Income (Loss)	710	(12,193)	(3,012)	(14,495)
Net Working Capital	191,703	36,100	32,312	260,115
Total Assets	295,048	36,348	32,312	363,708
Long-term liabilities Payable from Operating Revenues	16,492			16,492
Total Fund Equity	227,004	36,100	32,312	295,416
Encumbrances at 6/30/99	11,849	8,749	100	20,698

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 10 - RISK MANAGEMENT

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

During fiscal year 1999, The District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$2 million per occurrence/\$5 million annual aggregate limitation.

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

OSBA WORKER'S COMPENSATION GROUP RATING

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April, 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$193,556, \$192,626, and \$186,433, respectively; 48 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$101,616, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14.0 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$974,526, \$896,000, and \$990,959, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$166,660, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$556,872 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 million at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled \$91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$84,440 during the 1999 fiscal year.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

	Governmental Fund Types			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget Basis	\$ 141,589	\$(115,558)	\$ 576	\$ (495,053)
Net Adjustment for Revenue Accruals	(150,152)	(41,506)	(2,123)	
Net Adjustment for Expenditure Accruals	102,462	(68,096)		52,714
Net Adjustment for Other Financing Sources/(Uses)	(32,847)	118		
Net Adjustment for Fund Reclassification		6,386		
Adjustment for Encumbrances	<u>377,266</u>	<u>212,409</u>	<u> </u>	<u>120</u>
GAAP Basis	<u>\$ 438,318</u>	<u>\$ (6,247)</u>	<u>\$ (1,547)</u>	<u>\$ (442,219)</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 14 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

As of the balance sheet date, the District was named as defendant in a lawsuit. In the District's attorney's opinion, the outcome of the case is not determinable at this point. However, the District is vigorously defending the action.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. *During the fiscal year ended June 30, 1999, the District received \$7,720,479 of school foundation support.*

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 14 - CONTINGENT LIABILITIES - (Continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 15 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations throughout the year 2000.

The District is continually evaluating its computer systems and other equipment that may be affected by the Year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits through ACE Software System and educational statistics reporting through the State's Education Management and Information System (EMIS).

The District uses the ACE Software System for its financial reporting, payroll and employee benefits. Documentation has been received from ACE Software System indicating that the applicable software is Year 2000 compliant. The District uses the State's EMIS for its educational statistics. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 13, 2000, the District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise and parties with whom the District does business may also experience Year 2000 readiness issues that are yet unknown.

NOTE 16 - SIGNIFICANT SUBSEQUENT EVENTS

The District has passed a new labor contract for both certified and non-certified employees effective July 1, 1999. The District estimates the financial impact of increased wages and benefits to approximate \$79,107 during fiscal 2000.

SUPPLEMENTAL DATA

GALLIPOLIS CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Grant Cluster:						
(A), (D) Food Distribution	10.550	N/A		\$41,781		\$49,094
(B), (D) National School Breakfast Program	10.553	N/A	\$50,982		\$50,982	
(B), (D) National School Lunch Program	10.555	N/A	197,690		197,690	
Total Nutrition Grant Cluster			248,672	41,781	248,672	49,094
Total U. S. Department of Agriculture			248,672	41,781	248,672	49,094
U. S. DEPARTMENT OF LABOR						
(F) School-to-Work Grant	17.249	N/A	0		231	
(G) School-to-Work Grant	17.249	N/A	9,623		8,303	
(H) School-to-Work Grant	17.249	N/A	0		1,679	
(I) School-to-Work Grant	17.249	N/A	0		1,407	
(J) School-to-Work Grant	17.249	WK-BE-98	1,004		7,207	
Total U.S. Department of Labor			10,627		18,827	
FEDERAL EMERGENCY MANAGEMENT AGENCY PASSED THROUGH THE OHIO EMERGENCY MANAGEMENT AGENCY						
Public Assistance Grant - Disaster Relief	83.544	N/A	0		1,439	
Total Federal Emergency Management Agency			0		1,439	
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I Grants to Local Educational Agencies	84.010	44032-C1-S1-98	58,345		117,380	
	84.010	44032-C1-S1-98C	10		10	
	84.010	44032-C1-S1-99	403,208		354,431	
Total Title I			461,563		471,821	
Special Education Grant Cluster:						
(E) Title VI-B Handicapped	84.027	44032-6B-SF-97P	0		32,329	
	84.027	44032-6B-SF-98P	121,200		88,794	
(E) Title VI-B Handicapped Preschool	84.173	44032-PG-S1-97P	0		2,586	
	84.173	44032-PG-S1-98P	13,689		9,280	
Total Special Education Grant Cluster			134,889		132,989	
Safe and Drug Free Schools - State Grants	84.186	44032-DR-S1-98	0		1,993	
	84.186	44032-DR-S1-99	13,076		11,255	
Total Safe and Drug Free Schools - State Grants			13,076		13,248	
GOALS 2000	84.276	44032-G2-S3-98C	37,586		82,331	
	84.276	44032-STW-1999	5,000		221	
Total GOALS 2000			42,586		82,552	
Eisenhower Professional Development State Grants	84.281	44032-MS-S1-97	0		4,861	
	84.281	44032-MS-S1-98	0		8,208	
	84.281	44032-MS-S1-99	14,721		177	
Total Eisenhower Professional Development State Grant			14,721		13,246	
Innovative Education Program Strategies	84.298	44032-C2-S1-99	14,031		12,826	
E-Rate Telecommunications Grant	84.XXX	N/A	19,081		0	
PASSED THROUGH THE GALLIA COUNTY AUDITORS OFFICE:						
Safe and Drug Free Schools - State Grants	84.186	1998	0		960	
	84.186	1999	30,740		30,292	
Total Safe and Drug Free Schools - State Grants			30,740		31,252	
Total U. S. Department of Education			730,687		757,934	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System Program	93.unknown	N/A	52,498		28,420	
Total U. S. Department of Health and Human Services			52,498		28,420	
Total Federal Financial Assistance			\$1,042,484	\$41,781	\$1,055,292	\$49,094

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

(F) Passed through the Pike County Joint Vocational School District
(G) Passed through the Gallia County School District
(H) Passed through the Gallia-Vinton Educational Service Center
(I) Passed through the Gallia-Jackson-Vinton Joint Vocational School District
(J) Passed through the Ohio Department of Education

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
SUITE B
WORTHINGTON, OHIO 43085

TELEPHONE 614.846.1899
FACSIMILE 614.846.2799

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Accounting Standards*

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

We have audited the general purpose financial statements of Gallipolis City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated January 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gallipolis City School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. However, we noted certain immaterial instances of noncompliance that we have reported to management of Gallipolis City School District in a separate letter dated January 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gallipolis City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, would adversely affect Gallipolis City School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1999-44032-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Gallipolis City School District in a separate letter dated January 13, 2000.

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
January 13, 2000

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD
SUITE B
WORTHINGTON, OHIO 43085

TELEPHONE 614.846.1899
FACSIMILE 614.846.2799

Report on Compliance With Requirements Applicable to Its Major Program And Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of Gallipolis City School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Gallipolis City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Gallipolis City School District's management. Our responsibility is to express an opinion on Gallipolis City School District's compliance based on our audit.

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

In our opinion, Gallipolis City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Gallipolis City School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings as item 1999-44032-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of Gallipolis City School District in a separate letter dated January 13, 2000.

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
January 13, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

GALLIPOLIS CITY SCHOOL DISTRICT
GALLIA COUNTY
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Nutrition Grant Cluster: Food Distribution, CFDA #10.550; School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

Finding Number	1999-44032-001
----------------	----------------

See federal finding #1999-44032-001 below; this finding is also required to be reported in accordance with GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Verification of Free/Reduced Applications

Finding Number	1999-44032-001
CFDA Title and Number	Nutrition Grant Cluster: Food Distribution, CFDA #10.550; School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555
Federal Award Number/Year	05-PU-98, 05-PU-99, 03-PU-98, 03-PU-99, 04-PU-98, 04-PU-99
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Agriculture

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

INTERNAL CONTROLS-REPORTABLE CONDITION

In part, the Nutrition Grant Cluster requires participating District's to verify a sample of free and reduced lunch applications. The verification procedure determines if family income amounts reported on the initial student applications were accurate. In addition, upon review, the District will complete the verification summary report detailing results.

Upon receipt of income verification documentation, the Food Service Supervisor was not recalculating and agreeing amounts to the initial application. In addition, the Food Service Supervisor was not determining if a students status should be changed from one of the three categories (free/reduced/paid) to another.

Not properly reviewing, recalculating and verifying income documentation selected may result in a student being placed in an inappropriate category. This may result in the District losing potential food service receipts and/or a low income student not receiving proper benefits.

The District's Food Service Supervisor maintains the grant guidelines and handbook, however, she misunderstood the verification requirements. The District will implement the required policies and procedures immediately.

We recommend that the District properly recalculate verification documentation and properly reclass any student category changes. We recommend the District properly document its verification procedures and retain all supporting calculations. Further, we recommend that the District refer to the grant guidelines and handbook or contact the state Grant Director if any questions should arise.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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.

By: *Susan Babbitt*

Date: FEBRUARY 22, 2000