

Gallia County Local School District  
Gallia County, Ohio

Single Audit

July 1, 2009 through June 30, 2010  
Fiscal Years Audited Under GAGAS: 2010



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

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# Dave Yost • Auditor of State

Board of Education  
Gallia County Local School District  
230 Shawnee Lane  
Gallipolis, Ohio 45631

We have reviewed the *Independent Auditor's Report* of the Gallia County Local School District, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Gallia County Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

April 18, 2011

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**Gallia County Local School District**  
**Gallia County, Ohio**

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***Gallia County Local School District  
Gallia County, Ohio***

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### Independent Auditor's Report

Members of the Board  
Gallia County Local School District  
230 Shawnee Lane  
Gallipolis, Ohio 45631

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio, (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

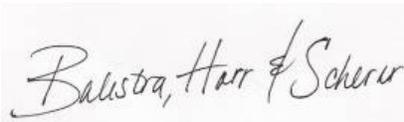
In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Members of the Board  
Gallia County Local School District  
Independent Auditor's Report  
Page 2

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

As described in Note 23 to the financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 1, 2011

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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The discussion and analysis of the Gallia County Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$2,632,825.
- General revenues accounted for \$23,812,495 in revenue or 77% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$7,102,246 or 23% of total revenues of \$30,914,741.
- The School District had \$28,281,916 in expenses related to governmental activities; only \$7,102,246 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$23,812,495 were adequate to provide for these programs.
- The School District has four major funds: the General Fund, the Bond Retirement Fund, the Permanent Improvement Fund, and the Construction Fund. All governmental funds had total revenue and other financing sources in the amount of \$29,449,932 and expenditures and other financing uses in the amount of \$33,288,184.

**USING THIS ANNUAL FINANCIAL REPORT**

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

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, the Permanent Improvement Capital Projects Fund, and the Construction Capital Projects Fund.

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

**Proprietary Funds.** The School District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the Service District reports it as a proprietary fund using the full accrual basis of accounting. Since the internal fund exclusively benefits governmental functions, it has been included with governmental claims in excess of contract amounts in the government-wide financial statements. The School District's Internal Service Fund is used to account for medical, life, and dental provided to employees.

**Fiduciary Funds.** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

Table 1  
Net Assets

	Governmental Activities	
	2010	2009*
<b>Assets</b>		
Current and Other Assets	\$29,400,528	\$34,493,054
Capital Assets, Net	54,454,103	50,243,928
Total Assets	83,854,631	84,736,982
<b>Liabilities</b>		
Long-Term Liabilities	43,708,548	44,474,278
Current and Other Liabilities	14,109,552	16,858,998
Total Liabilities	57,818,100	61,333,276
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	15,785,123	17,636,623
Restricted	12,183,526	15,111,245
Unrestricted (Deficit)	(1,932,118)	(9,344,162)
Total Net Assets	\$26,036,531	\$23,403,706

\*As restated, see Note 22 for additional information.

Total net assets of the School District as a whole increased \$2,632,825. Current and other assets decreased due primarily to decreases in cash, cash equivalents, and investments, which was partially offset by an increase to intergovernmental receivable. Cash, cash equivalents, and investments decreased as a result of payments on the construction project. Accrued interest receivable decreased as a result of lower cash held in investments as payments come due for the construction project. Intergovernmental receivable increased as a result of the timing of requests for federal grants. Capital assets increased primarily due to additions as a result of the construction project being completed, which was partially offset by current year depreciation. Long-term liabilities decreased primarily due to principal payments on long-term debt. Current and other liabilities decreased primarily due to decreases in contracts payable and retainage payable as the construction project was completed.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010, as compared with 2009.

Table 2  
Changes in Net Assets

	Governmental Activities 2010	Governmental Activities 2009*
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$1,447,886	\$1,481,936
Operating Grants and Contributions	5,654,360	5,378,008
Total Program Revenues	<u>7,102,246</u>	<u>6,859,944</u>
General Revenues		
Property Taxes	10,849,988	10,718,984
Grants and Entitlements, Not Restricted	12,428,955	10,916,890
Gifts and Donations, Not Restricted	8,300	0
Investment Earnings	226,417	654,490
Gain on Sale of Assets	0	531
Miscellaneous	298,835	93,847
Total General Revenues	<u>23,812,495</u>	<u>22,384,742</u>
Total Revenues	<u>30,914,741</u>	<u>29,244,686</u>
<b>Program Expenses</b>		
Instruction:		
Regular	9,896,897	9,704,445
Special	3,353,479	3,094,584
Vocational	579,616	492,647
Other	2,140,405	2,040,715
Support Services:		
Pupil	581,724	564,230
Instructional Staff	1,056,256	1,030,705
Board of Education	75,261	91,768
Administration	1,729,745	1,719,256
Fiscal	786,862	693,753
Business	24,534	24,804
Operation and Maintenance of Plant	1,865,307	1,862,757
Pupil Transportation	2,219,611	2,219,951
Central	509,354	487,863
Operation of Non-Instructional Services	1,036,535	1,085,401
Extracurricular Activities	514,936	464,670
Interest and Fiscal Charges	1,911,394	1,928,692
Total Expenses	<u>28,281,916</u>	<u>27,506,241</u>
Increase in Net Assets	2,632,825	1,738,445
Net Assets Beginning of Year - As Restated	23,403,706	21,665,261
Net Assets End of Year	<u>\$ 26,036,531</u>	<u>\$ 23,403,706</u>

\*As restated, see Note 22 for additional information.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)

Operating grants and contributions increased primarily due to the receipt of stimulus funding. Grants and entitlements, not restricted increased due to increases in Foundation remittances and the change on restrictions of those monies. Investment earnings decreased due to decreases in cash in banks and reductions in interest rates. Special instruction increased due to increased expenditures for the Read 180 program as well as payments made to Gallia Vinton ESC for the PUSH and Summer School programs.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions. Table 3 shows the total cost of services and the net cost of services for 2010 as compared with 2009. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program Expenses				
Instruction:				
Regular	\$9,896,897	\$8,755,897	\$9,704,445	\$8,110,643
Special	3,353,479	1,517,978	3,094,584	1,360,085
Vocational	579,616	549,861	492,647	465,662
Other	2,140,405	1,808,358	2,040,715	1,741,957
Support Services:				
Pupil	581,724	551,809	564,230	533,324
Instructional Staff	1,056,256	447,263	1,030,705	298,234
Board of Education	75,261	71,509	91,768	86,805
Administration	1,729,745	1,535,171	1,719,256	1,530,011
Fiscal	786,862	693,853	693,753	648,457
Business	24,534	23,272	24,804	23,445
Operation and Maintenance of Plant	1,865,307	1,184,469	1,862,757	1,729,515
Pupil Transportation	2,219,611	2,074,207	2,219,951	2,044,167
Central	509,354	236,587	487,863	233,927
Operation of Non-Instructional Services	1,036,535	(296,365)	1,085,401	(196,332)
Extracurricular Activities	514,936	114,407	464,670	107,705
Interest and Fiscal Charges	1,911,394	1,911,394	1,928,692	1,928,692
Total	<u>\$28,281,916</u>	<u>\$21,179,670</u>	<u>\$27,506,241</u>	<u>\$20,646,297</u>

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The most significant change in fund balance was in the Construction Fund with a decrease of \$4,515,997. The Construction Fund had \$108,167 in revenues and expenditures in the amount of \$4,624,164 due to expenditures for construction. The Bond Retirement Fund had a fund balance increase in the amount of \$538,695. The Bond Retirement Fund had \$3,201,736 in revenues and \$2,663,041 in expenditures due to the retirement of bonds and interest and fiscal charges. The General Fund had \$20,860,925 in revenues and other financing sources and \$20,649,825 in expenditures and other financing uses, which resulted in an increase in fund balance of \$211,100. The Permanent Improvement Fund had \$614,176 in revenues and \$67,279 in expenditures, which resulted in an increase in fund balance of \$546,897.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)

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**General Fund Budgeting Highlights**

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

During the course of fiscal year 2010, the School District did not amend its General Fund revenue budget.

For the General Fund, final budget basis revenue was equal to original budget basis revenue. Actual revenue was \$330,091 less than the final budget due to property tax revenue which was less than anticipated. Final budget basis appropriations were \$302,523 less than original budget basis appropriations. Actual expenditures were \$1,050,825 less than the final budget due to expenditures for regular instruction, operation and maintenance of plant, and other financing uses which were lower than anticipated.

The School District's ending unobligated General Fund balance was \$3,775,413.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2010, the School District had \$54,454,103 invested in land and land improvements, construction in progress, buildings and improvements, furniture and equipment, infrastructure, vehicles, and library and textbooks. Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2010	2009
Land and Land Improvements	\$1,697,859	\$743,342
Construction in Progress	175,753	28,832,756
Buildings and Improvements	50,273,124	19,839,504
Furniture and Equipment	1,536,488	173,704
Infrastructure	78,594	82,537
Vehicles	692,285	572,085
Totals	\$54,454,103	\$50,243,928

Changes in capital assets from the prior year primarily resulted from additions and depreciation. For additional information on capital assets, see Note 8 to the basic financial statements.

**Debt**

At June 30, 2010, the School District had general obligation bonds outstanding of \$41,075,000, excluding the premium of \$1,074,288. For additional information on debt, see Note 12 to the basic financial statements.

**ECONOMIC FACTORS**

Gallia County Local School District is financially stable. As the preceding information shows, the School District depends upon the State School Foundation Program and property taxes for the majority of the School District's revenues. Gallia County Local School District must maintain its current spending habits to maintain its healthy financial situation. The School District is in a low economic growth area, so dependence on local tax revenue must be minimized.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*(Unaudited)*

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**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Julia Slone, Treasurer at Gallia County Local School District, 230 Shawnee Lane, Gallipolis, Ohio 45631.

**Gallia County Local School District**  
*Statement of Net Assets*  
*As of June 30, 2010*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 14,881,438
Accrued Interest Receivable	2,573
Intergovernmental Receivable	1,856,070
Property Taxes Receivable	11,478,916
Restricted Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	690,172
Cash and Cash Equivalents with Escrow Agents	55,764
Unamortized Financing Costs	435,595
Nondepreciable Capital Assets	919,095
Depreciable Capital Assets, Net	53,535,008
<i>Total Assets</i>	83,854,631
<b>Liabilities</b>	
Accounts Payable	321,471
Accrued Wages and Benefits Payable	1,737,372
Contracts Payable	54,119
Intergovernmental Payable	670,850
Accrued Interest Payable	155,619
Matured Compensated Absences Payable	111,121
Retainage Payable	319,405
Deferred Revenue	10,733,352
Claims Payable	6,243
Long-Term Liabilities:	
Due Within One Year	695,884
Due In More Than One Year	43,012,664
<i>Total Liabilities</i>	57,818,100
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	15,785,123
Restricted for:	
Debt Service	4,222,546
Capital Projects	6,259,831
Other Purposes	629,074
Title I	974,090
Contributions:	
Expendable	5,985
Non-Expendable	92,000
Unrestricted (Deficit)	(1,932,118)
<i>Total Net Assets</i>	\$ 26,036,531

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 9,896,897	\$ 425,135	\$ 715,865	\$ (8,755,897)
Special	3,353,479	86,848	1,748,653	(1,517,978)
Vocational	579,616	29,755	-	(549,861)
Other	2,140,405	98,454	233,593	(1,808,358)
Support Services:				
Pupil	581,724	29,915	-	(551,809)
Instructional Staff	1,056,256	25,873	583,120	(447,263)
Board of Education	75,261	3,752	-	(71,509)
Administration	1,729,745	82,304	112,270	(1,535,171)
Fiscal	786,862	33,076	59,933	(693,853)
Business	24,534	1,262	-	(23,272)
Operation and Maintenance of Plant	1,865,307	85,490	595,348	(1,184,469)
Pupil Transportation	2,219,611	104,644	40,760	(2,074,207)
Central	509,354	13,658	259,109	(236,587)
Operation of Non-Instructional				
Services	1,036,535	249,167	1,083,733	296,365
Extracurricular Activities	514,936	178,553	221,976	(114,407)
Interest and Fiscal Charges	1,911,394	-	-	(1,911,394)
<i>Totals</i>	<u>\$ 28,281,916</u>	<u>\$ 1,447,886</u>	<u>\$ 5,654,360</u>	<u>(21,179,670)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				7,527,029
Debt Service				2,946,182
Permanent Improvements				376,777
Grants and Entitlements not Restricted to Specific Programs				12,428,955
Gifts and Donations not Restricted to Specific Programs				8,300
Investment Earnings				226,417
Miscellaneous				298,835
<i>Total General Revenues</i>				<u>23,812,495</u>
<i>Change in Net Assets</i>				2,632,825
<i>Net Assets Beginning of Year - As Restated, See Note 22</i>				<u>23,403,706</u>
<i>Net Assets End of Year</i>				<u><u>\$ 26,036,531</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**

*Balance Sheet*

*Governmental Funds*

*As of June 30, 2010*

	General	Bond Retirement	Permanent Improvement	Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 3,512,481	\$ 4,015,616	\$ 3,721,054	\$ 2,508,963	\$ 851,562	\$ 14,609,676
Receivables:						
Property Taxes	7,860,074	3,185,950	432,892	-	-	11,478,916
Accrued Interest	-	-	-	212	2,361	2,573
Interfund	318,268	-	-	-	-	318,268
Intergovernmental	121,642	-	-	-	1,734,428	1,856,070
Restricted Assets:						
Equity in Pooled Cash, Cash Equivalents and Investments	370,767	-	-	319,405	-	690,172
Cash and Cash Equivalents with Escrow Agents	-	-	-	55,764	-	55,764
<i>Total Assets</i>	<u>\$ 12,183,232</u>	<u>\$ 7,201,566</u>	<u>\$ 4,153,946</u>	<u>\$ 2,884,344</u>	<u>\$ 2,588,351</u>	<u>\$ 29,011,439</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 237,548	\$ -	\$ 160	\$ -	\$ 83,763	\$ 321,471
Accrued Wages and Benefits Payable	1,493,177	-	-	-	244,195	1,737,372
Contracts Payable	-	-	-	54,119	-	54,119
Interfund Payable	-	-	-	-	318,268	318,268
Matured Compensated Absences Payable	100,817	-	-	-	10,304	111,121
Intergovernmental Payable	609,757	-	-	-	61,093	670,850
Retainage Payable	-	-	-	319,405	-	319,405
Deferred Revenue	7,709,631	3,124,970	424,606	-	1,632,872	12,892,079
<i>Total Liabilities</i>	<u>10,150,930</u>	<u>3,124,970</u>	<u>424,766</u>	<u>373,524</u>	<u>2,350,495</u>	<u>16,424,685</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	78,539	-	-	846,612	80,355	1,005,506
Reserved for Contributions	-	-	-	-	92,000	92,000
Reserved for Property Taxes	150,443	60,980	8,286	-	-	219,709
Reserved for Textbooks and Materials	370,767	-	-	-	-	370,767
Unreserved, Undesignated, Reported in:						
General Fund	1,432,553	-	-	-	-	1,432,553
Special Revenue Funds	-	-	-	-	63,451	63,451
Debt Service Funds	-	4,015,616	-	-	-	4,015,616
Permanent Funds	-	-	-	-	2,050	2,050
Capital Projects Funds	-	-	3,720,894	1,664,208	-	5,385,102
<i>Total Fund Balances</i>	<u>2,032,302</u>	<u>4,076,596</u>	<u>3,729,180</u>	<u>2,510,820</u>	<u>237,856</u>	<u>12,586,754</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 12,183,232</u>	<u>\$ 7,201,566</u>	<u>\$ 4,153,946</u>	<u>\$ 2,884,344</u>	<u>\$ 2,588,351</u>	<u>\$ 29,011,439</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 As of June 30, 2010*

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**Total Governmental Fund Balances** \$ 12,586,754

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 54,454,103

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	525,855
Intergovernmental	1,632,872
Unamortized Financing Costs	435,595

Total 2,594,322

An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 265,519

Long-term liabilities, including bonds and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(155,619)
Compensated Absences	(1,559,260)
General Obligation Bonds	(41,075,000)
Premium on Bonds	(1,074,288)

Total (43,864,167)

**Net Assets of Governmental Activities** \$ 26,036,531

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Bond Retirement	Permanent Improvement	Construction	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 7,448,352	\$ 2,903,145	\$ 371,016	\$ -	\$ -	\$ 10,722,513
Intergovernmental	12,097,907	298,591	100,069	-	4,163,697	16,660,264
Investment Earnings	183,414	-	-	38,033	4,970	226,417
Charges for Services	9,086	-	678	-	248,518	258,282
Tuition and Fees	1,026,215	-	-	-	-	1,026,215
Extracurricular Activities	-	-	-	-	163,389	163,389
Miscellaneous	93,394	-	142,413	70,134	1,194	307,135
<i>Total Revenues</i>	<u>20,858,368</u>	<u>3,201,736</u>	<u>614,176</u>	<u>108,167</u>	<u>4,581,768</u>	<u>29,364,215</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	8,328,548	-	5,163	-	682,803	9,016,514
Special	1,674,718	-	-	-	1,647,510	3,322,228
Vocational	575,652	-	-	-	-	575,652
Other	1,914,560	-	-	-	219,135	2,133,695
Support Services:						
Pupil	595,224	-	-	-	-	595,224
Instructional Staff	501,916	-	-	-	552,720	1,054,636
Board of Education	72,957	-	-	-	-	72,957
Administration	1,593,507	-	-	-	108,740	1,702,247
Fiscal	639,167	84,315	11,352	-	48,002	782,836
Business	24,934	-	-	-	-	24,934
Operation and Maintenance of Plant	1,650,430	-	-	43,439	527,039	2,220,908
Pupil Transportation	2,041,575	-	25,000	-	36,244	2,102,819
Central	265,213	-	-	-	243,072	508,285
Operation of Non-Instructional Services	12,624	-	-	-	1,018,188	1,030,812
Extracurricular Activities	294,890	-	24,868	-	190,227	509,985
Capital Outlay	380,750	-	896	4,580,725	10,195	4,972,566
Debt Service:						
Principal	-	635,000	-	-	-	635,000
Interest and Fiscal Charges	-	1,943,726	-	-	-	1,943,726
<i>Total Expenditures</i>	<u>20,566,665</u>	<u>2,663,041</u>	<u>67,279</u>	<u>4,624,164</u>	<u>5,283,875</u>	<u>33,205,024</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>291,703</u>	<u>538,695</u>	<u>546,897</u>	<u>(4,515,997)</u>	<u>(702,107)</u>	<u>(3,840,809)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	-	-	83,160	83,160
Proceeds from Sale of Assets	2,557	-	-	-	-	2,557
Transfers Out	(83,160)	-	-	-	-	(83,160)
<i>Total Other Financing Sources (Uses)</i>	<u>(80,603)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,160</u>	<u>2,557</u>
<i>Net Change in Fund Balances</i>	211,100	538,695	546,897	(4,515,997)	(618,947)	(3,838,252)
<i>Fund Balances Beginning of Year - As Restated, See Note 22</i>	1,821,202	3,537,901	3,182,283	7,026,817	856,803	16,425,006
<i>Fund Balances End of Year</i>	<u>\$ 2,032,302</u>	<u>\$ 4,076,596</u>	<u>\$ 3,729,180</u>	<u>\$ 2,510,820</u>	<u>\$ 237,856</u>	<u>\$ 12,586,754</u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ (3,838,252)</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.</p>		
Capital Asset Additions	5,329,426	
Current Year Depreciation	<u>(1,092,087)</u>	
Total		4,237,339
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the loss on the disposal of capital assets and the proceeds from the sale of capital assets.</p>		
Proceeds from Sale of Capital Assets	(2,557)	
Loss on Disposal of Capital Assets	<u>(24,607)</u>	
Total		(27,164)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	127,475	
Intergovernmental	<u>1,423,051</u>	
Total		1,550,526
<p>The amortization of debt issuance costs and premiums are reported as interest expense in the statement of activities but are not reported in the governmental funds.</p>		
Debt Issuance Costs	(20,743)	
Premiums	<u>51,157</u>	
Total		30,414
<p>Repayments of debt principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net assets and do not result in expenses in the statement of activities.</p>		
		635,000
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		(36,529)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Decrease in Compensated Absences	79,573	
Decrease in Interest Payable	<u>1,918</u>	
Total		<u>81,491</u>
<b>Net Change in Net Assets of Governmental Activities</b>		<b><u>\$ 2,632,825</u></b>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual*  
*(Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$21,051,000	\$21,051,000	\$20,720,909	(\$330,091)
Total Expenditures and Other Uses	<u>21,904,180</u>	<u>21,601,657</u>	<u>20,550,832</u>	<u>1,050,825</u>
Net Change in Fund Balance	(853,180)	(550,657)	170,077	720,734
Fund Balance, July 1	3,514,540	3,514,540	3,514,540	0
Prior Year Encumbrances Appropriated	<u>90,796</u>	<u>90,796</u>	<u>90,796</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$2,752,156</u></u>	<u><u>\$3,054,679</u></u>	<u><u>\$3,775,413</u></u>	<u><u>\$720,734</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Fund Net Assets*  
*Governmental Activities*  
*Internal Service Fund*  
*As of June 30, 2010*

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	<u>Internal Service Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	<u>\$ 271,762</u>
<i>Total Assets</i>	<u>271,762</u>
<b>Liabilities</b>	
Current Liabilities:	
Claims Payable	<u>6,243</u>
<i>Total Liabilities</i>	<u>6,243</u>
<b>Net Assets</b>	
Unrestricted	<u>265,519</u>
<i>Total Net Assets</i>	<u><u>\$ 265,519</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2010

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	<u>Internal Service Fund</u>
<b>Operating Expense</b>	
Claims	<u>\$ 36,529</u>
<i>Total Operating Expense</i>	<u>36,529</u>
<i>Changes in Net Assets</i>	(36,529)
<i>Net Assets at Beginning of Year</i>	<u>302,048</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 265,519</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Cash Flows*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2010

	<u>Internal Service Fund</u>
<b><i>Decrease in Cash, Cash Equivalents and Investments</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Payments for Claims	<u>\$ (43,711)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(43,711)</u>
Decrease in Cash, Cash Equivalents and Investments	(43,711)
Cash, Cash Equivalents and Investments at Beginning of Year	<u>315,473</u>
Cash, Cash Equivalents and Investments at End of Year	<u><u>\$ 271,762</u></u>
<b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>	
Operating Loss	\$ (36,529)
<i>Changes in Liabilities:</i>	
Decrease in Claims Payable	<u>(7,182)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (43,711)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*As of June 30, 2010*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash, Cash Equivalents and Investments	<u>\$ 3,900</u>	<u>\$ 79,262</u>
<b>Liabilities</b>		
Undistributed Monies	<u>-</u>	<u>\$ 79,262</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$ 3,900</u>	

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2010*

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	<u>Private Purpose Trust Fund</u>
<b>Additions</b>	
Gifts and Contributions	<u>\$ 3,000</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>4,025</u>
Change in Net Assets	(1,025)
Net Assets Beginning of Year	<u>4,925</u>
Net Assets End of Year	<u><u>\$ 3,900</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Gallia County Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District provides educational services as authorized by State statute and/or federal guidelines. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the School District's seven (7) instructional support facilities staffed by 98 non-certificated and 178 certified personnel providing education to approximately 2,427 students.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Gallia County Local School District, this includes general operations, food service and student related activities of the School District.

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organization
- Booster Club

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one is a risk sharing pool, and one is a group purchasing pool. These organizations are the Southeast Ohio Voluntary Educational Consortium, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Educational Regional Service System, the Schools of Ohio Risk Sharing Authority, Inc., and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14 and 18 to the basic financial statements.

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

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

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Proprietary and fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by for this School District can be classified using three categories: governmental, proprietary, and fiduciary.

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

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

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

***Permanent Improvement Fund*** The Permanent Improvement Fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

***Construction Fund*** The Construction Fund is used to account for all monies received and expended in connection with contracts entered into by the School District for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

***Internal Service Fund*** The Internal Service Fund is used to provide excess coverage for claims in excess of contract amounts for medical, life, and dental benefits provided to employees.

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

***C. Measurement Focus***

***Government-Wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

***E. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash, Cash Equivalents and Investments***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool or temporarily used to purchase short term investments. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

During fiscal year 2010, investments were limited to Treasury Bills, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and certificates of deposit. At year end the only investments were certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$183,414, \$38,033 to the Construction Fund and \$4,970 to the Other Governmental Funds.

For purposes of the presentation on the financial statements, investments of a cash management pool or investments with an original maturity of three months or less at the time they are purchased by the School District would be considered to be cash equivalents.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

The School District also maintains an outside bank account for the purpose of segregating retainage for several contractors used for the school facilities construction project. This cash has been presented on the financial statements as "restricted assets: cash and cash equivalents with escrow agents."

***G. Capital Assets***

The School District's only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

Description	Estimated Lives
Land Improvements	5 years
Buildings and Improvements	20-50 years
Furniture and Equipment	8-20 years
Vehicles	10 years
Infrastructure	50 years
Library and Textbooks	5-15 years

***H. Interfund Activity***

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

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due to each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

***J. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

***K. Fund Balance Reserves***

The School District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes, contributions, and textbooks and materials. The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

***L. Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

The government-wide statement of net assets reports \$12,183,526 in restricted net assets, none of which is restricted by enabling legislation.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

***N. Restricted Assets***

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District for the purchase of textbooks and materials. See Note 17 for additional information regarding set-asides. Restricted assets in the Classroom Facilities fund represent cash held as retainage for contractors.

***O. Interfund Assets/Liabilities***

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Revenues not meeting this definition are presented as nonoperating revenues.

***Q. Unamortized Bond Issuance Costs/Bond Premium and Discount***

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the statement of net assets. Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period.

**NOTE 3 – ACCOUNTABILITY**

***Accountability***

At June 30, 2010, the Lunchroom, Teacher Quality, Title VI-B, Technology II-D, Miscellaneous Federal Grant, and Drug Free School Special Revenue Funds had deficit fund balances of \$254,933, \$30,341, \$42,498, \$2,532, \$10,053, and \$10,469, respectively, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget and actual (budget basis), presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

The major differences between the budget basis and GAAP (modified accrual) basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$211,100
Revenue Accruals	(140,016)
Expenditure Accrual	206,828
Encumbrances	<u>(107,835)</u>
Budget Basis	<u><u>\$170,077</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demand 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.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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.

**Deposits:** Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The School District's bank balance of \$16,526,907 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2010, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

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

The assessed values upon which the fiscal year 2010 taxes were collected for Gallia County are:

	2009 Second-Half Collections		2010 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$224,101,740	56.27%	\$230,428,090	57.26%
Public Utility	168,882,490	42.41%	171,371,150	42.59%
Tangible Personal Property	5,252,833	1.32%	610,180	0.15%
Total Assessed Value	\$398,237,063	100.00%	\$402,409,420	100.00%
Tax rate per \$1,000 of assessed valuation	\$28.75		\$28.75	

The School District receives property taxes from Gallia and Jackson Counties. The Gallia County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations.

The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2010 was \$150,443 in the General Fund, \$60,980 in the Bond Retirement Fund, and \$8,286 in the Permanent Improvement Fund and was recognized as revenue for the fiscal year.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of property taxes, accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>General Fund</i>	\$121,642
<i>Non-Major Special Revenue Funds:</i>	
Lunchroom	91,628
Miscellaneous State Grants	13,012
Special Education, Part B-IDEA	442,405
Technology, Title II-D	10,607
Title I	1,002,596
Safe and Drug-Free Schools, Title IV-A	12,464
Early Childhood Special Education, IDEA	17,915
Title II-A	105,181
Miscellaneous Federal Grants	38,620
Total Non-Major Special Revenue Funds	1,734,428
Total Intergovernmental Receivables	\$1,856,070

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> 6/30/2009*	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6/30/2010
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$743,342	\$0	\$0	\$743,342
Construction in Progress	28,832,756	175,753	(28,832,756)	175,753
Total Capital Assets not being Depreciated	<u>29,576,098</u>	<u>175,753</u>	<u>(28,832,756)</u>	<u>919,095</u>
Depreciable Capital Assets:				
Land Improvements	1,167,412	1,060,575	0	2,227,987
Buildings and Improvements	28,699,534	31,249,609	0	59,949,143
Furniture and Equipment	923,032	1,435,915	(296,284)	2,062,663
Infrastructure	197,170	0	0	197,170
Library and Textbooks	1,138,235	0	0	1,138,235
Vehicles	3,226,877	240,330	(109,883)	3,357,324
Total Capital Assets being Depreciated	<u>35,352,260</u>	<u>33,986,429</u>	<u>(406,167)</u>	<u>68,932,522</u>
Less Accumulated Depreciation				
Land Improvements	(1,167,412)	(106,058)	0	(1,273,470)
Buildings and Improvements	(8,860,030)	(815,989)	0	(9,676,019)
Furniture and Equipment	(749,328)	(45,967)	269,120	(526,175)
Infrastructure	(114,633)	(3,943)	0	(118,576)
Library and Textbooks	(1,138,235)	0	0	(1,138,235)
Vehicles	(2,654,792)	(120,130)	109,883	(2,665,039)
Total Accumulated Depreciation	<u>(14,684,430)</u>	<u>(1,092,087)</u>	<u>379,003</u>	<u>(15,397,514)</u>
Total Capital Assets being Depreciated, Net	<u>20,667,830</u>	<u>32,894,342</u>	<u>(27,164)</u>	<u>53,535,008</u>
Capital Assets, Net	<u>\$50,243,928</u>	<u>\$33,070,095</u>	<u>(\$28,859,920)</u>	<u>\$54,454,103</u>

\*Certain reclassifications were made to beginning balances. These reclassifications had no effect on net assets.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 920,940
Special	15,711
Vocational	1,005
Support Services:	
Board of Education	2,304
Administration	13,044
Fiscal	694
Operation and Maintenance of Plant	2,373
Pupil Transportation	123,453
Central	694
Operation of Non-Instructional Services	6,918
Extracurricular Activities	4,951
Total Depreciation Expense	<u>\$ 1,092,087</u>

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), a non-profit, public entity risk sharing pool. SORSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the SORSA (see Note 18). The types and amounts of coverage provided by the Schools of Ohio Risk Sharing Authority during fiscal year 2010 are as follows:

Buildings and Contents	\$58,320,134
Earth Movement Limit	2,000,000
Flood Limit	2,000,000
Crime Coverage	100,000
EDP Equipment – Per Occurrence	1,250,000
Errors and Omissions Cover	1,000,000

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

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school districts and educational service centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts and educational service centers that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator.

The School District provides health and major medical, dental and prescription drug insurance for all eligible employees through Anthem Blue Cross and Blue Shield. The School District pays monthly premiums of up to \$1,446.22 for family coverage and up to \$574.23 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The School District provides excess coverage for claims in excess of contract amounts through their self insurance Internal Service Fund. Additional information regarding the handling of these excess claims follows.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 9 - RISK MANAGEMENT (Continued)**

An administrative charge is paid monthly to Saunders/Wiseman Insurance. The claims liability of \$6,243 reported in the Internal Service Fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the fiscal year follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claim Payments</u>	<u>Balance at</u> <u>End of Year</u>
2009	\$6,312	\$46,710	\$39,597	\$13,425
2010	13,425	36,529	43,711	6,243

**NOTE 10- PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$450,305, \$243,703, and \$297,173, respectively; 51% has been contributed for fiscal year 2010 and 100% for the fiscal years 2009 and 2008. \$218,691 represents the unpaid contribution for fiscal year 2010.

**NOTE 10 - PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 10 - PENSION PLANS (Continued)**

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2010, 2009 and 2008, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,301,300, \$1,250,503, and \$1,254,888, respectively; 83% has been contributed for the fiscal year 2010 and 100% for the fiscal year 2009 and 2008. \$223,760 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, four members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$98,513, \$97,413, and \$97,436 for fiscal years 2010, 2009 and 2008, respectively, which are equal to the required allocations for each year.

**B. School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, 2009 and 2008 the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent, respectively. The School District's contributions for the fiscal years ended June 30, 2010, 2009 and 2008 were \$21,351, \$21,941, and \$19,368, respectively, which equaled the required allocations for each year.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, 2009 and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2010, 2009 and 2008 fiscal years equaled \$68,888, \$178,715, and \$161,043, respectively, which equaled the required allocations for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term liabilities during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Reductions	Principal Outstanding 6/30/10	Due Within One Year
General Obligation Bonds 3.75%	\$41,710,000	\$0	\$635,000	\$41,075,000	\$685,000
Premium	1,125,445	0	51,157	1,074,288	0
Total Long-Term Bonds	42,835,445	0	686,157	42,149,288	685,000
Compensated Absences	1,638,833	225,089	304,662	1,559,260	10,884
Total Long-Term Obligations	<u>\$44,474,278</u>	<u>\$225,089</u>	<u>\$990,819</u>	<u>\$43,708,548</u>	<u>\$695,884</u>

The General Obligation Bonds were issued in 2006 in the amount of \$43,000,000. These bonds were issued for the purpose of constructing and renovating school buildings. The debt will mature in 2034. The debt will be retired from the Bond Retirement Fund.

Compensated absences will be paid from the fund which the employee's salaries are paid, with the General Fund being the most significant.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**

The School District's voted legal debt margin was \$0. The School District has approximately \$4,858,152 of debt in excess of the nine percent limitation that has been approved based upon the School District's "special needs" status. The School District has an unvoted debt margin of \$402,409 at June 30, 2010.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2010, are as follows:

	Principal	Interest	Total
2011	\$685,000	\$1,918,976	\$2,603,976
2012	740,000	1,892,258	2,632,258
2013	845,000	1,862,539	2,707,539
2014	905,000	1,828,595	2,733,595
2015	970,000	1,786,245	2,756,245
2016-2020	6,480,000	8,185,526	14,665,526
2021-2025	8,640,000	6,482,631	15,122,631
2026-2030	10,940,000	4,133,000	15,073,000
2031-2034	10,870,000	1,120,250	11,990,250
Total	\$41,075,000	\$29,210,020	\$70,285,020

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

**A. SOUTHEAST OHIO VOLUNTARY EDUCATIONAL CONSORTIUM**

The Southeast Ohio Voluntary Educational Consortium (SEOVEC) is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to its members. Each member pays a fee annually for services provided by SEOVEC.

SEOVEC is governed by a governing board which is selected by the members. Each member has one vote in all matters, and each member's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. During fiscal year 2010, the Gallia County Local School District paid \$63,422 to SEOVEC.

**B. GALLIA-JACKSON-VINTON JOINT VOCATIONAL SCHOOL DISTRICT**

Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a Board comprised of eleven members appointed by the participating schools, which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Donalyn Smith, who serves as Treasurer, at 351 Buckeye Hills Road, Rio Grande, Ohio 45674.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

C. GALLIA-VINTON EDUCATIONAL SERVICE CENTER

Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Educational Service Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2010, the School District made \$56,517 in contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Lily Blevins, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.

D. EDUCATIONAL REGIONAL SERVICE SYSTEM (ERSS)

The Educational Regional Service System consists of 16 designated regions to provide services to school districts, community schools, and chartered nonpublic schools in order to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 320 ½ East Main Street, Pomeroy, Ohio 45769.

**NOTE 14 - INSURANCE PURCHASING POOL**

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts and educational service centers pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 15 - CONTINGENCIES**

A. Grants

The School District received financial assistance from federal and state 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 adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 16- DEFERRED COMPENSATION**

School District employees may participate in the Ohio Public Employees Deferred Compensation program, created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

**NOTE 17- STATUTORY RESERVES**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2009	\$284,744	\$0
Current year set-aside requirement	390,176	390,176
Current Year Qualifying disbursements	(304,153)	(240,486)
Excess Qualified Expenditures from Prior Years	0	(149,690)
Set-aside Reserve Balance as of June 30, 2010	\$370,767	\$0

The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$42,042,720 at June 30, 2010.

**NOTE 18 - RISK SHARING POOL**

*Schools of Ohio Risk Sharing Authority, Inc.* – The Schools of Ohio Risk Sharing Authority, Inc. (SORSA) is a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automotive liability, certain property insurance and educators’ errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district’s control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 19- INTERFUND ACTIVITY**

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2011 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$318,268	\$0
Nonmajor Special Revenue Funds		
Lunchroom Fund	0	260,296
Public School Support	0	597
Restructuring Team Grant	0	10,513
Technoloby II-D	0	9,526
Drug Free	0	13,398
Teacher Quality Improvement	0	3,381
Misc Federal Grant	0	20,557
	<u>0</u>	<u>318,268</u>
Total Nonmajor Special Revenue Funds	<u>0</u>	<u>318,268</u>
Total Interfund Receivables/Payables	<u><u>\$318,268</u></u>	<u><u>\$318,268</u></u>

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

**Interfund Transfers**

Transfers made during the year ended June 30, 2010, were as follows:

<u>Fund:</u>	<u>Transfer From:</u>	<u>Transfer To:</u>
General Fund	\$83,160	\$0
Nonmajor Special Revenue Funds	<u>0</u>	<u>83,160</u>
Total All Funds	<u><u>\$83,160</u></u>	<u><u>\$83,160</u></u>

Transfers made from the General Fund to Lunchroom and Public School Support funds are to move unrestricted balances to support programs and projects accounted for in other funds.

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 20 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: 43 days maximum for one to nine years of service; 46 days maximum for 10 to 19 years of service; and 53 days maximum for 20 or more years of service. Classified employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments as follows: 43 days maximum for one to nine years of service; 46 days maximum for 10 to 19 years of service; and 53 days maximum for 20 or more years of service.

**B. Insurance**

The School District provides health and major medical and prescription drug insurance for all eligible employees through Anthem Blue Cross & Blue Shield. The School District pays monthly premiums of up to \$1,446.22 for family coverage and up to \$574.23 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Mutual in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator.

Dental coverage was provided through Anthem Blue Cross & Blue Shield. Premiums for the dental coverage were \$76.28 monthly for family and \$29.91 for single coverage.

**NOTE 21 – SUBSEQUENT EVENTS**

On September 15, 2010, the School District approved a lease purchase agreement with Ohio Valley Bank in the amount of \$2,700,000 for the purpose of construction of two athletic facilities. The lease purchase was issued at a 3.16% interest rate, with a final maturity of September 15, 2020.

During 2011, the School District entered into contracts totaling \$4,921,771 for the construction of athletic facilities at South Gallia High School and River Valley High School.

**NOTE 22 – RESTATEMENT OF BALANCES**

The School District's cash balance at June 30, 2009 was overstated. The restatement had the following effect on net assets/fund balance:

	Construction Fund	Governmental Activities
Balance as of June 30, 2009	\$7,066,207	\$23,443,096
Cash Restatement	(39,390)	(39,390)
Restated Balance as of July 1, 2009	\$7,026,817	\$23,403,706

**Gallia County Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 23 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District’s basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s basic financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s basic financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District’s basic financial statements

Gallia County Local School District  
Gallia County

Schedule of Receipts and Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>United States Department of Agriculture</b>				
<i>Nutrition Cluster:</i>				
School Breakfast Program	3L70	10.553	\$ 186,885	\$ 186,885
National School Lunch Program	3L60	10.555	479,586	479,586
Total Nutrition Cluster			<u>666,471</u>	<u>666,471</u>
Child Nutrition Discretionary Grants Limited Availability	3DC0	10.579	19,652	19,652
<b>Total United States Department of Agriculture</b>			686,123	686,123
<b>United States Department of Education</b>				
<i>Passed through Ohio Department of Education</i>				
<i>Special Education Cluster:</i>				
Special Education-Grants to States	3M20	84.027	569,393	587,900
Special Education-Preschool Grants	3C50	84.173	19,034	17,678
ARRA Special Education - Grants to States	3DJ0	84.391	370,086	368,808
ARRA Special Education - Preschool Grants	3DL0	84.392	3,660	1,883
Total Special Education Cluster			<u>962,173</u>	<u>976,269</u>
<i>Title I, Part A Cluster:</i>				
Title I Grants to Local Educational Agencies	3M00	84.010	1,200,134	1,083,808
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	346,854	302,503
Total Title I, Part A Cluster			<u>1,546,988</u>	<u>1,386,311</u>
Safe & Drug Free Schools and Communities-State Grants	3D10	84.186	3,116	15,580
Education Technology State Grants	3S20	84.318	4,106	10,711
Rural Education	3Y80	84.358	37,562	39,926
Improving Teacher Quality State Grants	3Y60	84.367	246,298	234,160
Learn and Serve America - School and Community Based Programs	3780	94.004	8,412	-
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants	GRF	84.394	721,599	715,023
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>				
Guiding Children to Live Successfully	DGSP	84.186A	39,404	35,000
<b>Total United States Department of Education</b>			3,569,658	3,412,980
<b>Total Federal Financial Assistance</b>			<u>\$ 4,255,781</u>	<u>\$ 4,099,103</u>

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

Gallia County Local School District  
Notes to Schedule of Receipts and Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2010

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

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

Federal funds received from the National School Lunch and Breakfast programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



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

Members of the Board  
Gallia County Local School District  
230 Shawnee Lane  
Gallipolis, Ohio 45631

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio, (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 1, 2011, wherein we noted that the School District implemented GASB Statements No. 51, No. 53, No. 57, and No. 58. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Members of the Board  
Gallia County Local School District  
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required By *Government  
Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 1, 2011



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

Members of the Board  
Gallia County Local School District  
230 Shawnee Lane  
Gallipolis, Ohio 45631

**Compliance**

We have audited the compliance of the Gallia County Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Gallia County Local School District, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-001.

**Internal Control Over Compliance**

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

Members of the Board  
Gallia County Local School District  
Report on Compliance with Requirements Applicable to Each Major Federal Program and  
On Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

March 1, 2011

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**

Schedule of Findings

OMB Circular A-133 Section .505

For the Fiscal Year Ended June 30, 2010

**SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Program(s) (list):	<p>Special Education Cluster  Special Education-Grants to States: CFDA #84.027  Special Education-Preschool Grants: CFDA #84.173  Special Education-Grants to States (ARRA): CFDA #84.391  Special Education-Preschool Grants (ARRA): CFDA #84.392</p> <p>State Fiscal Stabilization Fund –Education State Grants (ARRA) - CFDA #84.394</p> <p>Title I, Part A Cluster  Title I Grants to Local Educational Agencies: CFDA #84.010  Title I Grants to Local Educational Agencies (ARRA): CFDA #84.389</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
 Schedule of Findings  
 OMB Circular A-133 Section .505  
 For the Fiscal Year Ended June 30, 2010

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

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2010-001
<b>CFDA Title and Number</b>	Special Education Cluster Special Education-Grants to States: CFDA #84.027 Special Education-Preschool Grants: CFDA #84.173 Special Education-Grants to States (ARRA): CFDA #84.391 Special Education-Preschool Grants (ARRA): CFDA #84.392  State Fiscal Stabilization Fund –Education State Grants (ARRA) - CFDA #84.394  Title I, Part A Cluster Title I Grants to Local Educational Agencies: CFDA #84.010 Title I Grants to Local Educational Agencies (ARRA): CFDA #84.389
<b>Federal Award Year</b>	2009-2010
<b>Federal Agency</b>	United States Department of Education

**Noncompliance Citation – Reporting**

Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The School District did not submit the required reports within this time frame for fiscal year 2009.

The School District should ensure that the audits required by Circular A-133 are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, the School District should promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**OMB CIRCULAR A-133 §315(c)**  
For the Fiscal Year Ended June 30, 2010

**Corrective Action Plan for Finding 2010-001:**

**Finding Control Number: 2010-001**

**Summary of Finding:** The School District did not submit the data collection form and reporting package within the required time frame for fiscal year 2009.

**Statement of Concurrence:** The School District is aware of Finding 2010-001 and agrees that the finding as stated is correct.

**Corrective Action:** The School District is working closely with its independent public accountant to ensure that all appropriate deadlines are met. The School District will ensure that this deadline is complied with for 2010 and all future years.

**Contact Person:** The official responsible for completing the corrective action is listed below:

Julia Slone  
Treasurer  
Phone: (740) 446-7917  
Fax: (740) 446-8182  
Email: [gl\\_jslone@seovec.org](mailto:gl_jslone@seovec.org)

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
*OMB CIRCULAR A-133 §.315(b)*  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	A noncompliance citation was Issued for Ohio Revised Code Section 5705.41(B), expenditures and outstanding encumbrances exceeding appropriations	Yes	



# Dave Yost • Auditor of State

GALLIA COUNTY LOCAL SCHOOL DISTRICT

GALLIA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 5, 2011