

Gallia County Local School District

Gallia County, Ohio

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004



**BALESTRA, HARR & SCHERER**  
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**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Gallia Local School District, Gallia County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. 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 Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

June 6, 2005

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

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Ohio Society of Certified Public Accountants

## 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 (the School District), Gallia County, as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

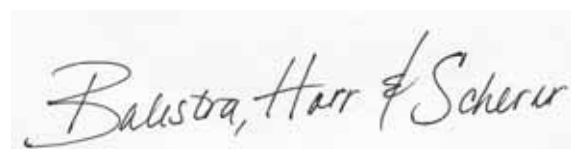
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons 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 14, 2005, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 14, 2005



**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*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, 2004. 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 2004 are as follows:**

- Net assets of governmental activities increased \$489,148.
- General revenues accounted for \$16,289,244 in revenue or 67% of all revenues. Program specific revenues in the form of charges for services, grants and contributions, and interest accounted for \$7,858,812 or 33% of total revenues of \$24,148,056.
- The School District had \$23,658,908 in expenses related to governmental activities; only \$7,858,812 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,289,244 were adequate to provide for these programs.
- The School District has two major funds; the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$17,948,305 in revenues and other financing sources and \$17,418,194 in expenditures. The General Fund's balance increased \$530,111. The Permanent Improvement Capital Projects Fund had \$377,978 in revenues and \$187,419 in expenditures. The Permanent Improvement Capital Projects Fund's balance increased by \$190,559.

**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.

***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 2004?" 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.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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 6. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple 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 and the Permanent Improvement 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.

**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 2004 compared to 2003.

Table 1		
Net Assets		
	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$13,691,020	\$13,726,923
Capital Assets	9,834,148	10,354,216
<b>Total Assets</b>	<b>23,525,168</b>	<b>24,081,139</b>
<b>Liabilities</b>		
Long-term Liabilities	2,137,010	2,746,602
Other Liabilities	8,923,367	9,358,894
<b>Total Liabilities</b>	<b>11,060,377</b>	<b>12,105,496</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	9,122,340	9,024,043
Restricted	3,023,710	3,179,426
Unrestricted	318,741	(227,826)
<b>Total Net Assets</b>	<b>\$12,464,791</b>	<b>\$11,975,643</b>

Total net assets of the District as a whole increased \$489,148.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004 as compared with 2003.

Table 2		
Changes in Net Assets		
	Governmental	Governmental
	Activities	Activities
	2004	2003
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$1,700,169	\$595,851
Operating Grants, Contributions and Interest	6,027,644	6,019,359
Capital Grants and Contributions	130,999	183,160
<b>Total Program Revenues</b>	<b>7,858,812</b>	<b>6,798,370</b>
General Revenues		
Property Taxes	7,271,914	6,763,198
Grants and Entitlements	8,690,315	8,760,984
Investment Earnings	185,894	200,288
Gain on Disposal of Capital Assets	0	2,600
Miscellaneous	141,121	120,621
<b>Total General Revenues</b>	<b>16,289,244</b>	<b>15,847,691</b>
<b>Total Revenues</b>	<b>24,148,056</b>	<b>22,646,061</b>
<b>Program Expenses</b>		
Instruction:		
Regular	8,555,039	8,045,475
Special	3,157,113	2,984,090
Vocational	461,278	478,431
Other	1,485,793	477,608
Support Services:		
Pupil	792,546	859,065
Instructional Staff	1,243,501	1,017,102
Board of Education	56,700	40,446
Administration	1,542,683	1,455,764
Fiscal & Business	509,708	488,376
Operation and Maintenance of Plant	1,829,083	1,859,386
Pupil Transportation	2,092,534	2,003,161
Central	441,174	231,925
Operation of Non-Instructional Services	946,691	938,155
Extracurricular Activities	475,430	474,901
Interest and Fiscal Charges	69,635	130,483
<b>Total Expenses</b>	<b>23,658,908</b>	<b>21,484,368</b>
<b>Decrease in Net Assets</b>	<b>489,148</b>	<b>1,161,693</b>
<b>Net Assets Beginning of Year</b>	<b>11,975,643</b>	<b>10,813,950</b>
<b>Net Assets End of Year</b>	<b>\$12,464,791</b>	<b>\$11,975,643</b>

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2004 as compared with 2003. 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 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program Expenses				
Instruction:				
Regular	\$8,555,039	(\$6,881,511)	\$8,045,475	(\$6,723,311)
Special	3,157,113	(1,478,573)	2,984,090	(1,216,063)
Vocational	461,278	(428,334)	478,431	(474,959)
Other	1,485,793	(1,377,829)	477,608	(471,923)
Support Services:				
Pupil	792,546	(448,412)	859,065	(495,195)
Instructional Staff	1,243,501	(467,484)	1,017,102	(444,844)
Board of Education	56,700	(52,651)	40,446	(40,099)
Administration	1,542,683	(1,315,529)	1,455,764	(1,294,423)
Fiscal	489,147	(363,198)	466,391	(357,308)
Business	20,561	(19,093)	21,985	(21,869)
Operation and Maintenance of Plant	1,829,083	(1,558,295)	1,859,386	(1,669,003)
Pupil Transportation	2,092,534	(963,041)	2,003,161	(1,106,095)
Central	441,174	(243,704)	231,925	(202,696)
Operation of Non-Instructional Services	946,691	(137,754)	938,155	(52,828)
Extracurricular Activities	475,430	(244,164)	474,901	(260,954)
Interest and Fiscal Charges	69,635	179,476	130,483	145,572
<b>Total</b>	<b>\$23,658,908</b>	<b>(\$15,800,096)</b>	<b>\$21,484,368</b>	<b>(\$14,685,998)</b>

**THE SCHOOL DISTRICT FUNDS**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$23,878,837 and expenditures of \$23,480,184. As previously discussed, the School District remains financially stable in terms of healthy carryovers, our ability to pay bills, and no current operating levy needs.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

**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 2004, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis revenue was \$18,071,561, above original estimates of \$16,572,800. Of this \$1,498,761 difference, most was due to conservative tax estimates, based on the County Auditor's Certification, Parity Aid and a significant increase in special education funding.

The School District's ending unobligated General Fund balance was \$2,597,379.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2004, the School District had \$9,834,148 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2004	2003
Land and Land Improvements	\$363,710	\$363,710
Buildings and Improvements	8,710,203	9,022,827
Furniture and Equipment	148,789	213,399
Infrastructure	102,252	106,195
Vehicles	434,214	545,516
Library and Textbooks	74,980	102,569
Totals	\$9,834,148	\$10,354,216

Changes in capital assets from the prior year resulted from additions and depreciation.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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***Debt***

At June 30, 2004, the School District had general obligation bonds outstanding of \$570,000. The bonds were issued for school construction. For additional information on debt, see note 15 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. 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.

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

This financial report is designed to provide our citizens, taxpayers, and 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 Sandra Foster, Treasurer at Gallia County Local School District, 230 Shawnee Lane, Gallipolis, Ohio 45631.

**Gallia County Local School District**

*Statement of Net Assets*

*June 30, 2004*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,090,324
Accrued Interest Receivable	316
Accounts Receivable	17,793
Intergovernmental Receivable	254,659
Property Taxes Receivable	7,014,450
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	313,478
Nondepreciable Capital Assets	363,710
Depreciable Capital Assets, Net	<u>9,470,438</u>
<i>Total Assets</i>	<u>23,525,168</u>
<b>Liabilities</b>	
Accounts Payable	89,012
Accrued Wages and Benefits Payable	1,547,868
Intergovernmental Payable	691,001
Accrued Interest Payable	5,718
Matured Compensated Absences Payable	35,745
Deferred Revenue	6,546,621
Claims Payable	7,402
Long-Term Liabilities:	
Due Within One Year	774,621
Due In More Than One Year	<u>1,362,389</u>
<i>Total Liabilities</i>	<u>11,060,377</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	9,122,340
Restricted for:	
Capital Projects	1,368,977
Debt Service	882,083
Other Purposes	675,924
Contributions:	
Expendable	3,888
Non-Expendable	92,838
Unrestricted (Deficit)	<u>318,741</u>
<i>Total Net Assets</i>	<u><u>\$12,464,791</u></u>

See accompanying notes to the basic financial statements

**Gallia County Local School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2004*

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$8,555,039	\$496,304	\$1,162,688	\$14,536	(\$6,881,511)
Special	3,157,113	128,969	1,549,571	0	(1,478,573)
Vocational	461,278	32,944	0	0	(428,334)
Other	1,485,793	105,283	2,681	0	(1,377,829)
Support Services:					
Pupil	792,546	31,684	312,450	0	(448,412)
Instructional Staff	1,243,501	28,317	747,700	0	(467,484)
Board of Education	56,700	4,049	0	0	(52,651)
Administration	1,542,683	96,009	131,145	0	(1,315,529)
Fiscal	489,147	30,338	88,883	6,728	(363,198)
Business	20,561	1,468	0	0	(19,093)
Operation and Maintenance of Plant	1,829,083	116,953	46,339	107,496	(1,558,295)
Pupil Transportation	2,092,534	138,745	990,748	0	(963,041)
Central	441,174	13,045	184,425	0	(243,704)
Operation of Non-Instructional					
Services	946,691	244,795	561,903	2,239	(137,754)
Extracurricular Activities	475,430	231,266	0	0	(244,164)
Interest and Fiscal Charges	69,635	0	249,111	0	179,476
<b>Totals</b>	<b>\$23,658,908</b>	<b>\$1,700,169</b>	<b>\$6,027,644</b>	<b>\$130,999</b>	<b>(15,800,096)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					6,646,993
Debt Service					377,942
Permanent Improvements					246,979
Grants and Entitlements not Restricted to Specific Programs					8,690,315
Investment Earnings					185,894
Miscellaneous					141,121
<b>Total General Revenues</b>					<b>16,289,244</b>
<b>Change in Net Assets</b>					<b>489,148</b>
<b>Net Assets Beginning of Year- Restated, See Note 3</b>					<b>11,975,643</b>
<b>Net Assets End of Year</b>					<b>\$12,464,791</b>

See accompanying notes to the basic financial statements



**Gallia County Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2004*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,524,654	\$1,366,062	\$1,968,175	\$5,858,891
Receivables:				
Property Taxes	6,406,620	245,030	362,800	7,014,450
Interfund	200,816	0	0	200,816
Intergovernmental	0	0	254,659	254,659
Accrued Interest	316	0	0	316
Accounts	17,793	0	0	17,793
Restricted Assets:				
Cash and Cash Equivalents	<u>313,478</u>	<u>0</u>	<u>0</u>	<u>313,478</u>
<b>Total Assets</b>	<u>\$9,463,677</u>	<u>\$1,611,092</u>	<u>\$2,585,634</u>	<u>\$13,660,403</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$11,108	\$0	\$77,904	\$89,012
Accrued Wages and Benefits Payable	1,275,404	0	272,464	1,547,868
Interfund Payable	0	0	200,816	200,816
Matured Compensated Absences Payable	35,462	0	283	35,745
Intergovernmental Payable	277,477	0	41,446	318,923
Deferred Revenue	<u>6,405,411</u>	<u>245,030</u>	<u>362,800</u>	<u>7,013,241</u>
<b>Total Liabilities</b>	<u>8,004,862</u>	<u>245,030</u>	<u>955,713</u>	<u>9,205,605</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	229,647	32,552	296,369	558,568
Reserved for Contributions	0	0	92,000	92,000
Reserved for Property Taxes	1,209	0	0	1,209
Reserved for Textbooks and Materials	77,818	0	0	77,818
Reserved for Capital Improvements	235,660	0	0	235,660
Unreserved, Undesignated, Reported in:				
General Fund	914,481	0	0	914,481
Special Revenue Funds	0	0	352,789	352,789
Debt Service Funds	0	0	882,083	882,083
Permanent Funds	0	0	3,765	3,765
Capital Projects Funds	<u>0</u>	<u>1,333,510</u>	<u>2,915</u>	<u>1,336,425</u>
<b>Total Fund Balances</b>	<u>1,458,815</u>	<u>1,366,062</u>	<u>1,629,921</u>	<u>4,454,798</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$9,463,677</u>	<u>\$1,611,092</u>	<u>\$2,585,634</u>	<u>\$13,660,403</u>

See accompanying notes to the basic financial statements

**Gallia County Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004*

<b>Total Governmental Fund Balances</b>		\$ 4,454,798
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.		9,834,148
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes		466,620
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds		(372,078)
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 is included in governmental activities in the statement of net assets		224,031
Long-Term Liabilities, including bonds, capital lease obligations, 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	(5,718)	
Compensated Absences	(1,430,920)	
General Obligation Bonds, Energy Conservation Notes, and Capital Lease Obligations	<u>(706,090)</u>	
Total		<u>(2,142,728)</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 12,464,791</u></u>

See accompanying notes to the basic financial statements

**Gallia County Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$6,265,536	\$246,979	\$377,942	\$6,890,457
Intergovernmental	10,136,667	130,999	4,675,458	14,943,124
Investment Earnings	179,565	0	6,646	186,211
Charges for Services	196,902	0	248,214	445,116
Tuition and Fees	1,041,668	0	0	1,041,668
Extracurricular Activities	0	0	213,385	213,385
Miscellaneous	118,967	0	22,154	141,121
<i>Total Revenues</i>	<u>17,939,305</u>	<u>377,978</u>	<u>5,543,799</u>	<u>23,861,082</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,053,409	20,796	1,104,729	8,178,934
Special	1,821,394	0	1,258,133	3,079,527
Vocational	462,705	0	0	462,705
Other	1,474,189	0	2,700	1,476,889
Support Services:				
Pupil	449,181	0	323,674	772,855
Instructional Staff	381,351	0	804,530	1,185,881
Board of Education	56,942	0	0	56,942
Administration	1,341,809	0	155,398	1,497,207
Fiscal	422,923	9,626	54,721	487,270
Business	20,512	0	0	20,512
Operation and Maintenance of Plant	1,580,624	25,250	70,353	1,676,227
Pupil Transportation	1,890,403	0	28,758	1,919,161
Central	185,570	0	258,519	444,089
Operation of Non-Instructional Services	0	3,204	889,809	893,013
Extracurricular Activities	267,781	0	206,377	474,158
Capital Outlay	7,206	128,543	15,310	151,059
Debt Service:				
Principal	1,779	0	627,886	629,665
Interest and Fiscal Charges	416	0	73,674	74,090
<i>Total Expenditures</i>	<u>17,418,194</u>	<u>187,419</u>	<u>5,874,571</u>	<u>23,480,184</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>521,111</u>	<u>190,559</u>	<u>(330,772)</u>	<u>380,898</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	2,000	0	0	2,000
Inception of Capital Lease	7,000	0	8,755	15,755
<i>Total Other Financing Sources</i>	<u>9,000</u>	<u>0</u>	<u>8,755</u>	<u>17,755</u>
<i>Net Change in Fund Balance</i>	530,111	190,559	(322,017)	398,653
<i>Fund Balances Beginning of Year-Restated, See Note 3</i>	<u>928,704</u>	<u>1,175,503</u>	<u>1,951,938</u>	<u>4,056,145</u>
<i>Fund Balances End of Year</i>	<u>\$1,458,815</u>	<u>\$1,366,062</u>	<u>\$1,629,921</u>	<u>\$4,454,798</u>

See accompanying notes to the basic financial statements

**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, 2004*

**Net Change in Fund Balances - Total Governmental Funds** \$ 398,653

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

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

Capital Asset Additions	22,254	
Current Year Depreciation	(511,542)	
Total	(489,288)	(489,288)

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. This is the amount of the loss on the disposal of fixed assets.

Proceeds from Sale of Capital Assets	(2,000)	
Loss on Disposal of Capital Assets	(28,780)	
Total	(30,780)	(30,780)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	381,457	
Intergovernmental	(94,166)	
Interest	(317)	
Total	286,974	286,974

Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

Bond Principal Payments	625,000	
Capital Lease Principal Payments	4,665	
Inception of Capital Lease Obligation	(15,755)	
Total	613,910	613,910

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-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.

(120,797)

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.

Increase in Compensated Absences	(4,318)	
Decrease in Interest Payable	4,455	
Increase in Intergovernmental Payable	(169,661)	

Total	(169,524)	
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**Net Change in Net Assets of Governmental Activities** \$ 489,148

See accompanying notes to the basic financial statements

**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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$16,572,800	\$17,470,101	\$18,071,561	\$601,460
Total Expenditures and Other Uses	<u>16,842,265</u>	<u>18,646,289</u>	<u>17,717,091</u>	<u>929,198</u>
Net Change in Fund Balance	(269,465)	(1,176,188)	354,470	1,530,658
Fund Balance, July 1	2,014,489	2,014,489	2,014,489	0
Prior Year Encumbrances Appropriated	<u>228,420</u>	<u>228,420</u>	<u>228,420</u>	<u>0</u>
Fund Balance, June 30	<u>\$1,973,444</u>	<u>\$1,066,721</u>	<u>\$2,597,379</u>	<u>\$1,530,658</u>

See accompanying notes to the basic financial statements

**Gallia County Local School District**  
*Statement of Fund Net Assets*  
*Governmental Activities - Internal Service Fund*  
*June 30, 2004*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$231,433</u>
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**Liabilities**

Claims Payable	<u>7,402</u>
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**Net Assets**

Unrestricted	<u>224,031</u>
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**Total Net Assets**

	<u>\$224,031</u>
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See accompanying notes to the basic financial statements

**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, 2004*

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**Operating Revenues**

Other Revenues \$6,407

**Operating Expenses**

Purchased Services 27,740

Claims 99,464

*Total Operating Expenses* 127,204

*Change in Net Assets* (120,797)

*Net Assets at Beginning of Year (As Restated- See Note 3)* 344,828

Net Assets at End of Year \$224,031

See accompanying notes to the basic financial statements

**Gallia County Local School District**  
*Statement of Cash Flows*  
*Governmental Activities - Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2004*

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**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from Transaction with Other Funds	\$6,407
Cash Payments for Claims	(\$95,897)
Cash Payments to Suppliers for Services	<u>(27,740)</u>

*Net Cash Used by Operating Activities* (117,230)

*Cash and Cash Equivalents at Beginning of Year* 348,663

*Cash and Cash Equivalents at End of Year* \$231,433

**Reconciliation of Change in Net Assets to Net Cash  
Used by Operating Activities**

*Change in Net Assets* (120,797)

*Increase In Claims Payable* 3,567

*Net Cash Used by Operating Activities* (\$117,230)

See accompanying notes to the basic financial statements



**Gallia County Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2004*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$95,549</u>
<b>Liabilities</b>	
Undistributed Monies	18,146
Due to Students	<u>77,403</u>
<b>Total Liabilities</b>	<u>\$95,549</u>

See accompanying notes to the basic financial statements

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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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, Section 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 eight (8) instructional support facilities staffed by 118 non-certificated, 195 teaching personnel, and 14 administrative employees providing education to approximately 2,685 students.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure 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 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 and one is a group purchasing pool, and the other is a risk sharing pool. These organizations are the Southeastern Ohio Voluntary Education Consortium, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Southeastern Ohio Special Education Regional Resource Council, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio Schools Risk Sharing Authority, Inc.. These organizations are presented in Notes 16 and 17 and 22, respectively to the basic financial statements.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its governmental activities (Internal Service Fund) provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***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. Non-Major funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The internal service fund is presented in a single column on the face of the proprietary fund statements.

***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.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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

***Permanent Improvement Fund*** The Permanent Improvement Fund is a fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

The other governmental funds of the School District account for grants and contributions 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 Gallia County Local School District has no Enterprise Funds.

**Internal Service Fund**

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Gallia County Local School District on a cost reimbursement basis. The district's only internal service fund accounts for the self-insurance program for employee coverage for claims which are made in excess of contract amounts.

***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 only fiduciary funds are agency funds.

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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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. The Internal Service fund 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 basis 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. 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 sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and 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 7). 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On 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.

***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.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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

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 and Cash Equivalents***

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 District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. During fiscal year 2004, investing activity for the District was limited to a NOW interest bearing account and certificates of deposit.

For purposes of the presentation on the balance sheet, 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.

***G. Capital Assets***

The School District's only capital assets are general assets. General capital assets are those assets specifically related 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 fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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 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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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

***H. Interfund Balances***

On fund financial statements, receivables and payables resulting from 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.

***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.

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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current 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 equity 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 equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, capital improvements, 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.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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

***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. Net assets restricted for other purposes include activities for food service operations, federal and state grants restricted to expenditures for specified purposes and statutory reserves.

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

***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 capital acquisition. See Note 21 for additional information regarding set-asides.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

Governmental Accounting Standards Board (GASB) Statement No. 39, “Determining Whether Certain Organizations are Component Units,” and GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”. GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government. The implementation of GASB Statement Nos. 39 and 41 had no effect on the School District.

The District reclassified its self insurance activity from the General Fund to an Internal Service Fund. Due to a physical inventory count undertaken by the School District in 2004, the capital asset beginning balances have been adjusted to reflect the actual inventory balances. The physical inventory was performed by Valuation Engineers, Inc. on May 26, 2004. These changes had the following effects on fund balances or net assets.



**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

	General	Permanent Improvement	Non-Major	Total
Fund Balances, June 30, 2003	\$1,273,532	\$1,175,503	\$1,951,938	\$4,400,973
Reclass of Internal Service Fund	(344,828)	0	0	(344,828)
Restated Fund Balances, June 30, 2003	<u>\$928,704</u>	<u>\$1,175,503</u>	<u>\$1,951,938</u>	<u>\$4,056,145</u>
Net Assets, June 30, 2003				\$11,577,704
Capital Assets				<u>397,939</u>
Restated Net Assets, June 30, 2003				<u>\$11,975,643</u>

	Internal Service
Balance, June 30, 2003:	<u>\$0</u>
Fund Reclassification:	<u>344,828</u>
Restated Balance, June 30, 2003	<u>\$344,828</u>

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2004 the Lunchroom Special Revenue Fund had a deficit fund balance of \$142,087 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.

**B. Compliance**

The following fund had appropriations exceed estimated resources for the actual budget:

<u>Nonmajor Special Revenue Fund</u>	
Title I	\$364,821

**NOTE 5 - 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. 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$530,111
Revenue Accruals	123,256
Expenditure Accrual	(69,250)
Encumbrances	(229,647)
Budget Basis	\$354,470

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government 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;

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

- (3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investment pool (STAR Ohio); and
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.

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. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits:** At year-end, the carrying amount of the School District's deposits was \$6,499,351, and the bank balance was \$6,937,540. Of the bank balance:

- (1) \$200,000 was covered by federal depository insurance.
- (2) \$6,737,540 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the local school district. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2004 taxes were collected for Gallia County are:

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**NOTE 7 - PROPERTY TAXES (Continued)**

	2003 Second-Half Collections		2004 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$157,995,240	53.57%	\$176,764,890	54.54%
Public Utility	124,629,990	42.26%	130,691,570	40.32%
Tangible Personal Property	12,313,257	4.17%	16,648,967	5.14%
<b>Total Assessed Value</b>	<b>\$294,938,487</b>	<b>100.00%</b>	<b>\$324,105,427</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$22.00		\$21.50	

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.

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.

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2004. 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, 2004 was \$1,209 in the General Fund and is recognized as revenue in the Statement of Net Assets.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Non-Major Special Revenue Funds:</i>	
Help Me Grow	\$16,427
Drug Free Schools	25,445
Title I	100,682
Teacher Quality Improvement	24,498
Goals 2000	5,435
Title VI-B	<u>82,172</u>
<b>Total Intergovernmental Receivables</b>	<b><u>\$254,659</u></b>

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**NOTE 9 - CAPITAL ASSETS**

	*Restated Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
<b>Capital Assets:</b>				
<b>Capital Assets not being depreciated:</b>				
Land	\$363,710	\$0	\$0	\$363,710
<b>Total Capital Assets not being Depreciated</b>	<b>363,710</b>	<b>0</b>	<b>0</b>	<b>363,710</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	1,167,412	0	0	1,167,412
Buildings and Improvements	15,682,094	0	0	15,682,094
Furniture and Equipment	995,138	0	(57,816)	937,322
Infrastructure	197,170	0	0	197,170
Library and Textbooks	1,138,235	0	0	1,138,235
Vehicles	3,335,860	22,254	(399,380)	2,958,734
<b>Total Capital Assets being Depreciated</b>	<b>22,515,909</b>	<b>22,254</b>	<b>(457,196)</b>	<b>22,080,967</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(1,167,412)	0	0	(1,167,412)
Buildings and Improvements	(6,659,267)	(312,624)	0	(6,971,891)
Furniture and Equipment	(781,739)	(39,855)	33,061	(788,533)
Infrastructure	(90,975)	(3,943)	0	(94,918)
Library and Textbooks	(1,035,666)	(27,589)	0	(1,063,255)
Vehicles	(2,790,344)	(127,531)	393,355	(2,524,520)
<b>Total Accumulated Depreciation</b>	<b>(12,525,403)</b>	<b>(511,542) **</b>	<b>426,416</b>	<b>(12,610,529)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>9,990,506</b>	<b>(489,288)</b>	<b>(30,780)</b>	<b>9,470,438</b>
<b>Capital Assets, Net</b>	<b>\$10,354,216</b>	<b>(\$489,288)</b>	<b>(\$30,780)</b>	<b>\$9,834,148</b>

\* See Note 3 for Restatement

\*\* Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$336,735
Special	15,777
<b>Support Services:</b>	
Instructional Staff	9,486
Administration	10,262
Operation and Maintenance of Plant	655
Pupil Transportation	128,830
Extracurricular Activities	4,951
Non-Instructional Services	<u>4,846</u>
<b>Total Depreciation Expense</b>	<b><u>\$511,542</u></b>

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 10 - 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 Ohio Schools Risk Sharing Authority (OSRSA), a non-profit, public entity risk sharing pool. OSRSA 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 OSRSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSRSA (See Note 22). The types and amount of coverage provided by the Ohio School Risk Sharing Authority during fiscal year 2004 are as follows:

Bodily Injury and Property Damage – Each Occurrence Limit	\$1,000,000
Personal and Advertising Injury – Each Offense Limit	1,000,000
Products – Completed Operations Limit	1,000,000
Per Campus Annual Aggregate	1,000,000
General Aggregate Limit	3,000,000
Fire Legal Liability	500,000
Medical Expense – Per Person Limit	1,000
Medical Expense – Annual Aggregate	5,000
Errors and Omissions Cover – Per Occurrence (\$5,000 deductible)	1,000,000
Errors and Omissions Cover – Annual Aggregate	1,000,000

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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 participants 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 Funds. This equity pooling arrangement insures 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 Gates McDonald & Co. 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 Medical Life Insurance Group 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 Oasis/CoreSource, Inc. Premiums for the dental coverage were \$39.99 monthly for family and \$18.36 for single coverage.

The School District provides health and major medical and prescription drug insurance for all eligible employees through United Health Care. The School District pays monthly premiums of up to \$929.32 for family coverage and up to \$337.93 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The 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 is provided on the following page.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**NOTE 10 - RISK MANAGEMENT (Continued)**

An administrative charge is paid monthly to Oak Hill Financial Administrators. The claims liability of \$7,402 reported in the Internal Service Fund at June 30, 2004 is based on an estimate provided by the District 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 last two fiscal years follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$0	\$10,242	\$6,407	\$3,835
2004	3,835	99,464	95,897	7,402

**NOTE 11 -DEFINED BENEFIT 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 pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contributions is used to fund pension obligations, with the remainder being used to fund healthcare benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan member and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$173,649, \$267,163, and \$85,122, respectively; 19 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$139,837 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614)227-4090.

New members have a choice of three retirement plans, a Defined Benefits (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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

matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10 percent for 2004 percent of their annual covered salary and the School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$919,357, \$1,113,934, and \$825,830, respectively; 81 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$173,946 represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective June 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, 2004, four members of the School District Board have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$91,638 during fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.



**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund health care benefits, including the surcharge, equaled \$299,644 during the 2004 fiscal year.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year-ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 13 - 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: 39 days maximum for one to nine years of service; 44 days maximum for 10 to 19 years of service; and 49 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: 37 days maximum for one to nine years of service; 42 days maximum for 10 to 19 years of service; and 47 days maximum for 20 or more years of service.

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for two copiers. Each lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide financial statements.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
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**NOTE 14 – CAPITAL LEASES – LESSEE DISCLOSURE (Continued)**

Future minimum lease payments through 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 5602
2006	5602
2007	<u>440</u>
 Total	 11,644
Less: Amount Representing Interest	<u>(554)</u>
Present Value of Net Minimum Lease Payments	 <u>\$ 11,090</u>

The equipment was originally capitalized in the amount of \$15,755. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2004 totaled \$4,665 in the governmental funds.

Property Under Capital Lease	\$15,755
Less: Accumulated Depreciation	<u>(1,576)</u>
Total June 30, 2004	<u>\$14,179</u>

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<u>Principal Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/04</u>	<u>Payments Due in One Year</u>
<b>General Obligation Bonds 7.375%</b>	\$1,140,000	\$0	\$570,000	\$570,000	\$570,000
<b>Energy Conservation Notes:</b>					
5.00% - 1996 - \$240,000	85,000	0	25,000	60,000	30,000
5.80% - 1997 - \$270,000	<u>95,000</u>	<u>0</u>	<u>30,000</u>	<u>65,000</u>	<u>30,000</u>
<b>Total Long-Term Bonds and Notes</b>	<u>1,320,000</u>	<u>0</u>	<u>625,000</u>	<u>695,000</u>	<u>630,000</u>
<b>Capital Lease Obligations:</b>					
8.039% - 2003 - \$7,000	0	7,000	1,779	5,221	2,297
1.113% - 2004 - \$8,755	<u>0</u>	<u>8,755</u>	<u>2,886</u>	<u>5,869</u>	<u>2,918</u>
<b>Total Capital Lease Obligations</b>	<u>0</u>	<u>15,755</u>	<u>4,665</u>	<u>11,090</u>	<u>5,215</u>
<b>Compensated Absences</b>	<u>1,426,602</u>	<u>4,318</u>	<u>0</u>	<u>1,430,920</u>	<u>139,406</u>
<b>Total Long-Term Obligations</b>	<u>\$2,746,602</u>	<u>\$20,073</u>	<u>\$629,665</u>	<u>\$2,137,010</u>	<u>\$774,621</u>

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

The General Obligation Bonds were issued in 1986 in the amount of \$10,275,000. The final payment is due in fiscal year 2005. These bonds are paid from property tax receipts of the debt service fund.

Energy Conservation Notes will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Compensated absences will be paid from the fund which the employee's salaries are paid. Capital Leases are paid from the General Fund and the Public School Support Fund.

The School District's voted legal debt margin was \$27,319,488 with an unvoted debt margin of \$324,105 at June 30, 2004. Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30	Principal	Interest	Total
2005	630,000	27,789	657,789
2006	65,000	3,530	68,530
Total	\$695,000	\$31,319	\$726,319

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

A. **SOUTHEASTERN OHIO VOLUNTARY EDUCATION CONSORTIUM**

The Southeastern Ohio Voluntary Education 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 2004, the Gallia County Local School District paid \$57,507 to SEOVEC.

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

Gallia, Jackson, Vinton Joint Vocational School 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, 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, 2004**

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**NOTE 16 - 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 District's continued participation and no equity interest exists. During fiscal year 2004, the School District made no 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. SOUTHEASTERN OHIO SPECIAL EDUCATION REGIONAL RESOURCE COUNCIL

The Southeastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by an participating school district is limited to its representation on the Board.

The Gallia County Local School District's superintendent is on the SERRC Board . Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**NOTE 17 - 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 Program (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 18 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

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**NOTE 19 - 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, 2004.

B. Litigation

The School District is not party to legal proceedings.

**NOTE 20- 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 21 - 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 cash basis information describes the change in the fiscal 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, 2003	\$263,826	\$0
Current year set-aside requirement	361,170	361,170
Qualifying disbursements	(547,178)	(125,510)
Set-aside Reserve Balance as of June 30, 2004	\$77,818	\$235,660

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**

**NOTE 22 – RISK SHARING POOL**

*Ohio Schools Risk Sharing Authority, Inc.* – The Ohio Schools Risk Sharing Authority, Inc. (OSRSA) is a risk sharing pool serving school districts in Ohio. OSRSA 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 District property and persons and property which might result in claims being made against members of OSRSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by OSRSA. 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 OSRSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from OSRSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

**NOTE 23 – INTERFUND ACTIVITY**

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2005 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General fund - Major Fund	\$200,816	0
Non-Major Special Revenue Funds		
Food Service		82,660
Title VI-B		68,677
Drug Free Schools		25,445
Early Childhood		14,428
Teacher Quality Improvement		4,171
Goals 2000		5,435
	<u>                    </u>	<u>                    </u>
Total Non-Major Special Revenue Funds	0	200,816
Total Interfund Receivables/Payables	<u><u>\$200,816</u></u>	<u><u>\$200,816</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.

Gallia County Local School District  
Gallia County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	NA	10.550	\$0	\$86,146	\$0	\$86,146
National School Breakfast Program	05PU	10.553	153,084	0	153,084	0
National School Lunch Program	LLP4	10.555	<u>382,444</u>	<u>0</u>	<u>382,444</u>	<u>0</u>
<b>Total United States Department of Agriculture</b>			535,528	86,146	535,528	86,146
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education- Grants to States	6BSF	84.027	282,439	0	386,192	0
Special Education- Preschool	PGS1	84.173	<u>5,232</u>	<u>0</u>	<u>33,118</u>	<u>0</u>
Total Special Education Cluster			287,671	0	419,310	0
Title 1	C1S1	84.010	999,167	0	1,342,180	0
Safe and Drug Free Schools	DRS1	84.186	29,234	0	29,234	0
Eisenhower Professional Development	MSS1	84.281	16,957	0	24,659	0
Innovative Education Program Strategy	C2S1	84.298	17,490	0	25,717	0
Education Technology State Grants	TJS1	84.318	29,770	0	43,551	0
Comprehensive School Reform Demonstration	RFS2	84.332	117,501	0	119,494	0
School Renovation, IDEA and Technology	NA	84.352A	0	0	682	0
Rural Education (REAP)	RUS1	84.358	64,688	0	106,074	0
Improving Teacher Quality State Grants	TRS1	84.367	253,117	0	291,477	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>						
Guiding Children to Live Successfully	DFSP	84.186A	<u>64,555</u>	<u>0</u>	<u>90,210</u>	<u>0</u>
<b>Total United States Department of Education</b>			1,880,150	0	2,492,588	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	NA	93.778	<u>17,329</u>	<u>0</u>	<u>17,329</u>	<u>0</u>
<b>Total United States Department of Health and Human Services</b>			<u>17,329</u>	<u>0</u>	<u>17,329</u>	<u>0</u>
<b>Total Federal Financial Assistance</b>			<u>\$2,433,007</u>	<u>\$86,146</u>	<u>\$3,045,445</u>	<u>\$86,146</u>

NA = Pass through entity number could not be located.  
See Notes to the Schedule of Federal Awards Expenditures.

***GALLIA COUNTY LOCAL SCHOOL DISTRICT***  
*Notes to Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2004*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -FOOD DISTRIBUTIONS**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the School District had no significant food commodities in inventory.



# BALESTRA, HARR & SCHERER CPAs, INC.

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *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 (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District=s basic financial statements, and have issued our report thereon dated March 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District=s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District=s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2004-001.

We also noted certain additional matters that we reported to management of the School District in a separate letter dated March 14, 2005.

Members of the Board  
Gallia County Local School District  
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit  
Of Financial Statements Performed In Accordance With *Governmental Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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 14, 2005

# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 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, 2004. The School District=s major federal programs are identified in the summary of auditor=s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District=s management. Our responsibility is to express an opinion on the School District=s compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Members of the Board

Gallia County Local School District

Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Page 2

### **Internal Control Over Compliance**

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

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

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer CPAs, Inc.

March 14, 2005

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY  
JUNE 30, 2004**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

<b>1. SUMMARY OF AUDITOR=S RESULTS</b>		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster- CFDA #84.027 and #84.173  Title I- CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Not Low Risk

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY  
JUNE 30, 2004**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

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

**Finding Number 2004-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

The District's final appropriations exceeded the final amended certificate of estimated resources (estimated revenues plus unencumbered fund balances) in fund 572, Title I at fiscal year end by \$364,821.

The School District should ensure appropriations from each fund do not exceed the estimated revenue before adopting the appropriation measure.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>	
Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY  
JUNE 30, 2004**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 SECTION 315(b)**

**Fully  
Corrected?**

**Not Corrected, Partially  
Corrected;  
Significantly Different  
Corrective Action Taken; or  
Finding No Longer Valid;  
Explain:**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2003-001	Expenditures plus encumbrances exceeded appropriations throughout the year and at year end.	Yes	Partially Corrected. See current year Management Letter comment.
2003-002	Lack of supporting documentation for expenditures on Ohio Department of Education project cash request forms.	Yes	Fully Corrected.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY  
JUNE 30, 2004**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 SECTION 315(c)**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2004-001	The Treasurer will monitor amounts available for expenditures prior to proposing appropriations for the Board to adopt.	6/30/05	Sandra Foster, Treasurer





**Auditor of State  
Betty Montgomery**

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**GALLIA 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  
JUNE 21, 2005**