



**Auditor of State
Betty Montgomery**

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2003, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District, Gallia County, as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21, during the year ended June 30, 2003, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. Also, as mentioned in Note 21, during the year ended June 30, 2003, the School District adopted GASB Statements 37 and 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 31, 2004

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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, 2003. 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 2003 are as follows:

- Net assets of governmental activities increased \$1,161,693.
- General revenues accounted for \$15,847,691 in revenue or 70% of all revenues. Program specific revenues in the form of charges for services, grants and contributions, and interest accounted for \$6,798,370 or 30% of total revenues of \$22,646,061.
- The School District had \$21,484,368 in expenses related to governmental activities; only \$6,798,370 of these expenses were offset by program specific charges for services, grants and contributions, and interest. General revenues of \$15,847,691 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 \$16,581,229 in revenues and other financing sources and \$15,298,777 in expenditures. The General Fund's balance increased \$1,282,452. The Permanent Improvement Capital Projects Fund had \$427,585 in revenues and \$305,858 in expenditures. The Permanent Improvement Capital Projects Fund's balance increased by \$121,727.

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 at the School District's most significant funds with all other non-major funds presented in total in one column.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

- In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial 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.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$13,726,923	\$13,001,446
Capital Assets	9,956,277	10,431,300
Total Assets	23,683,200	23,432,746
Liabilities		
Long-term Liabilities	2,746,602	2,973,292
Other Liabilities	9,358,894	10,043,443
Total Liabilities	12,105,496	13,016,735
Net Assets		
Invested in Capital Assets, Net of Debt	8,626,104	8,431,300
Restricted	3,179,426	2,855,122
Unrestricted	(227,826)	(870,411)
Total Net Assets	\$11,577,704	\$10,416,011

Total net assets of the District as a whole increased \$1,161,693.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Gallia County Local has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities 2003
Revenues	
Program Revenues	
Charges for Services	\$595,851
Operating Grants, Contributions and Interest	6,019,359
Capital Grants and Contributions	183,160
Total Program Revenues	6,798,370
General Revenues	
Property Taxes	6,763,198
Grants and Entitlements	8,760,984
Investment Earnings	200,288
Gain on Disposal of Capital Assets	2,600
Miscellaneous	120,621
Total General Revenues	15,847,691
Total Revenues	22,646,061
Program Expenses	
Instruction:	
Regular	8,045,475
Special	2,984,090
Vocational	478,431
Other	477,608
Support Services:	
Pupil	859,065
Instructional Staff	1,017,102
Board of Education	40,446
Administration	1,455,764
Fiscal & Business	488,376
Operation and Maintenance of Plant	1,859,386
Pupil Transportation	2,003,161
Central	231,925
Operation of Non-Instructional Services	938,155
Extracurricular Activities	474,901
Interest and Fiscal Charges	130,483
Total Expenses	21,484,368
Increase in Net Assets	\$1,161,693

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
Program Expenses		
Instruction:		
Regular	\$8,045,475	(\$6,723,311)
Special	2,984,090	(1,216,063)
Vocational	478,431	(474,959)
Other	477,608	(471,923)
Support Services:		
Pupil	859,065	(495,195)
Instructional Staff	1,017,102	(444,844)
Board of Education	40,446	(40,099)
Administration	1,455,764	(1,294,423)
Fiscal	466,391	(357,308)
Business	21,985	(21,869)
Operation and Maintenance of Plant	1,859,386	(1,669,003)
Pupil Transportation	2,003,161	(1,106,095)
Central	231,925	(202,696)
Operation of Non-Instructional Services	938,155	(52,828)
Extracurricular Activities	474,901	(260,954)
Interest and Fiscal Charges	130,483	145,572
Total	\$21,484,368	(\$14,685,998)

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 \$23,007,516 and expenditures of \$21,209,826. 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, 2003
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 2003, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis revenue was \$16,594,177, below original estimates of \$17,830,936. Of this \$1,236,759 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 \$2,014,483.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, the School District had \$9,956,277 invested in land, buildings, furniture and equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2003 balances compared to 2002.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2003	2002
Land and Land Improvements	\$363,710	\$363,710
Buildings and Improvements	8,988,717	9,300,608
Furniture and Equipment	56,520	61,933
Infrastructure	106,196	110,139
Vehicles	344,732	477,085
Library and Textbooks	96,402	117,825
Totals	\$9,956,277	\$10,431,300

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, 2003
Unaudited

Debt

At June 30, 2003, the School District had general obligation bonds outstanding of \$1,140,000. The bonds were issued for school construction. For additional information on debt, see note 13 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.

CONTRACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the 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.

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Gallia County Local School District
Statement of Net Assets
June 30, 2003

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,913,341
Inventory Held for Resale	21,910
Materials and Supplies Inventory	32,409
Intergovernmental Receivable	150,772
Prepaid Items	20,550
Property Taxes Receivable	7,324,115
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	263,826
Nondepreciable Capital Assets	363,710
Depreciable Capital Assets, Net	9,592,567
<i>Total Assets</i>	<i>23,683,200</i>
Liabilities	
Accounts Payable	206,591
Accrued Wages and Benefits Payable	1,488,035
Contracts Payable	38,097
Claims Payable	3,835
Accrued Interest Payable	10,173
Deferred Revenue	7,153,789
Intergovernmental Payable	458,374
Long-Term Liabilities:	
Due Within One Year	699,088
Due In More Than One Year	2,047,514
<i>Total Liabilities</i>	<i>12,105,496</i>
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,626,104
Restricted for:	
Capital Projects	1,180,711
Debt Service	913,464
Other Purposes	989,363
Contributions:	
Expendable	3,888
Non-Expendable	92,000
Unrestricted (Deficit)	(227,826)
<i>Total Net Assets</i>	<i>\$11,577,704</i>

See accompanying notes to the basic financial statements

Gallia County Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2003

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction:					
Regular	\$8,045,475	\$48,262	\$1,273,902	\$0	(\$6,723,311)
Special	2,984,090	13,079	1,754,948	0	(1,216,063)
Vocational	478,431	3,472	0	0	(474,959)
Other	477,608	3,472	2,213	0	(471,923)
Support Services:					
Pupil	859,065	3,241	360,629	0	(495,195)
Instructional Staff	1,017,102	3,125	526,166	42,967	(444,844)
Board of Education	40,446	347	0	0	(40,099)
Administration	1,455,764	9,606	151,735	0	(1,294,423)
Fiscal	466,391	2,778	101,398	4,907	(357,308)
Business	21,985	116	0	0	(21,869)
Operation and Maintenance of Plant	1,859,386	14,022	41,075	135,286	(1,669,003)
Pupil Transportation	2,003,161	13,426	883,640	0	(1,106,095)
Central	231,925	1,505	27,724	0	(202,696)
Operation of Non-Instructional Services					
	938,155	265,453	619,874	0	(52,828)
Extracurricular Activities	474,901	213,947	0	0	(260,954)
Interest and Fiscal Charges	130,483	0	276,055	0	145,572
<i>Totals</i>	<u>\$21,484,368</u>	<u>\$595,851</u>	<u>\$6,019,359</u>	<u>\$183,160</u>	<u>(14,685,998)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					5,863,911
Debt Service					611,895
Permanent Improvements					287,392
Grants and Entitlements not Restricted to Specific Programs					8,760,984
Investment Earnings					200,288
Gain on Disposal of Capital Assets					2,600
Miscellaneous					120,621
<i>Total General Revenues</i>					<u>15,847,691</u>
<i>Change in Net Assets</i>					1,161,693
<i>Net Assets Beginning of Year - See Note 21</i>					<u>10,416,011</u>
<i>Net Assets End of Year</i>					<u>\$11,577,704</u>

See accompanying notes to the basic financial statements

Gallia County Local School District

*Balance Sheet
Governmental Funds
June 30, 2003*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,327,741	\$1,214,632	\$2,370,651	\$5,913,024
Receivables:				
Property Taxes	6,837,615	293,500	193,000	7,324,115
Interfund	101,443	0	0	101,443
Intergovernmental	0	0	150,772	150,772
Prepaid Items	20,550	0	0	20,550
Materials and Supplies Inventory	32,409	0	0	32,409
Inventory Held for Resale	0	0	21,910	21,910
Restricted Assets:				
Cash and Cash Equivalents	<u>263,826</u>	<u>0</u>	<u>0</u>	<u>263,826</u>
<i>Total Assets</i>	<u>\$9,583,584</u>	<u>\$1,508,132</u>	<u>\$2,736,333</u>	<u>\$13,828,049</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$100,580	\$1,032	\$104,979	\$206,591
Accrued Wages and Benefits Payable	1,246,274	0	241,761	1,488,035
Interfund Payable	0	0	101,443	101,443
Contracts Payable	0	38,097	0	38,097
Claims Payable	3,835	0	0	3,835
Intergovernmental Payable	206,911	0	49,046	255,957
Deferred Revenue	<u>6,752,452</u>	<u>293,500</u>	<u>287,166</u>	<u>7,333,118</u>
<i>Total Liabilities</i>	<u>8,310,052</u>	<u>332,629</u>	<u>784,395</u>	<u>9,427,076</u>
Fund Balances				
Reserved for Encumbrances	142,697	124,566	689,318	956,581
Reserved for Contributions	0	0	92,000	92,000
Reserved for Property Taxes	85,163	0	0	85,163
Reserved for Textbooks and Materials	263,826	0	0	263,826
Unreserved, Undesignated, Reported in:				
General Fund	781,846	0	0	781,846
Special Revenue Funds	0	0	248,060	248,060
Debt Service Funds	0	0	913,464	913,464
Permanent Funds	0	0	3,888	3,888
Capital Projects Funds	<u>0</u>	<u>1,050,937</u>	<u>5,208</u>	<u>1,056,145</u>
<i>Total Fund Balances</i>	<u>1,273,532</u>	<u>1,175,503</u>	<u>1,951,938</u>	<u>4,400,973</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,583,584</u>	<u>\$1,508,132</u>	<u>\$2,736,333</u>	<u>\$13,828,049</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, 2003*

Total Governmental Fund Balances \$ 4,400,973

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. 9,956,277

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

Taxes	85,163
Intergovernmental	94,166
Interest	317
	317

Total 179,646

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds (202,417)

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	(10,173)
Compensated Absences	(1,426,602)
General Obligation Bonds and Energy Conservation Notes	(1,320,000)
	(2,756,775)

Total (2,756,775)

Net Assets of Governmental Activities **\$ 11,577,704**

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, 2003

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$5,778,748	\$287,392	\$611,895	\$6,678,035
Intergovernmental	10,397,732	140,193	4,872,513	15,410,438
Investment Earnings	193,068	0	6,903	199,971
Charges for Services	0	0	268,017	268,017
Tuition and Fees	115,739	0	0	115,739
Extracurricular Activities	0	0	212,095	212,095
Miscellaneous	93,342	0	27,279	120,621
<i>Total Revenues</i>	<u>16,578,629</u>	<u>427,585</u>	<u>5,998,702</u>	<u>23,004,916</u>
Expenditures				
Current:				
Instruction:				
Regular	6,413,350	0	1,165,968	7,579,318
Special	1,724,874	0	1,186,626	2,911,500
Vocational	462,126	0	3,231	465,357
Other	475,408	0	2,200	477,608
Support Services:				
Pupil	423,195	0	414,957	838,152
Instructional Staff	440,896	0	593,847	1,034,743
Board of Education	39,991	0	0	39,991
Administration	1,232,702	0	136,220	1,368,922
Fiscal	373,651	9,384	77,081	460,116
Business	19,557	0	0	19,557
Operation and Maintenance of Plant	1,506,244	0	23,451	1,529,695
Pupil Transportation	1,761,707	0	40,585	1,802,292
Central	173,159	0	27,676	200,835
Operation of Non-Instructional Services	0	18,884	915,222	934,106
Extracurricular Activities	251,917	0	217,817	469,734
Capital Outlay	0	277,590	0	277,590
Debt Service:				
Principal	0	0	680,000	680,000
Interest and Fiscal Charges	0	0	120,310	120,310
<i>Total Expenditures</i>	<u>15,298,777</u>	<u>305,858</u>	<u>5,605,191</u>	<u>21,209,826</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,279,852</u>	<u>121,727</u>	<u>393,511</u>	<u>1,795,090</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	2,600	0	0	2,600
<i>Total Other Financing Sources</i>	<u>2,600</u>	<u>0</u>	<u>0</u>	<u>2,600</u>
<i>Net Change in Fund Balance</i>	1,282,452	121,727	393,511	1,797,690
<i>Fund Balances Beginning of Year - Restated (See Note 21)</i>	<u>(8,920)</u>	<u>1,053,776</u>	<u>1,558,427</u>	<u>2,603,283</u>
<i>Fund Balances End of Year</i>	<u>\$1,273,532</u>	<u>\$1,175,503</u>	<u>\$1,951,938</u>	<u>\$4,400,973</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, 2003*

Net Change in Fund Balances - Total Governmental Funds \$ 1,797,690

**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	9,500	
Current Year Depreciation	(484,523)	
Total	(475,023)	(475,023)

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	(2,600)	
Gain on Disposal of Capital Assets	2,600	
Total	0	0

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

Taxes	85,163	
Intergovernmental	(446,935)	
Interest	317	
Total	(361,455)	(361,455)

Repayment of bond 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.

680,000

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	(453,310)	
Increase in Interest Payable	(10,173)	
Increase in Intergovernmental Payable	(16,036)	
Total	(479,519)	(479,519)

Net Change in Net Assets of Governmental Activities \$ 1,161,693

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Total Revenues and Other Sources	\$17,830,936	\$15,844,334	\$16,594,177	\$749,843
Total Expenditures and Other Uses	<u>15,254,550</u>	<u>16,446,232</u>	<u>15,859,074</u>	<u>587,158</u>
Net Change in Fund Balance	2,576,386	(601,898)	735,103	1,337,001
Fund Balance, July 1	1,097,478	1,097,478	1,097,478	0
Prior Year Encumbrances Appropriated	<u>181,902</u>	<u>181,902</u>	<u>181,902</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$3,855,766</u></u>	<u><u>\$677,482</u></u>	<u><u>\$2,014,483</u></u>	<u><u>\$1,337,001</u></u>

See accompanying notes to the basic financial statements

Gallia County Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$101,469</u>
Liabilities	
Undistributed Monies	\$586
Due to Students	<u>100,883</u>
Total Liabilities	<u>\$101,469</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, 2003

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, 184 teaching personnel, and 11 administrative employees providing education to approximately 2,712 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.

- C Parent Teacher Organization
- C Booster Club

The School District is associated with five organizations, four of which are defined as jointly governed organizations and one is a group purchasing pool. These organizations are the Southeast 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, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 before November 30, 1989, to its governmental activities 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by for this School District can be classified using two categories, governmental 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, 2003

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.

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.

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. 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.

GALLIA COUNTY LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 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.

D. Budgetary Process

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

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

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

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 "Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to a NOW interest bearing account and certificates of deposit.

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

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.

E. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of expendable supplies held for consumption and donated commodities held for resale.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated 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. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

H. Interfund Activity

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

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.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

M. Net Assets

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

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

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 19 for additional information regarding set-asides.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2003 the Lunchroom Special Revenue Fund had a deficit fund balance of \$71,464 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 funds had expenditures plus encumbrances exceeding appropriations at June 30, 2003:

<i>Major Capital Project Fund</i>	
Permanent Improvement	\$81,328
 <i>Nonmajor Special Revenue Funds</i>	
Food Service	80,512
Public School Support	943
District Managed Activity	86,919

The following fund had appropriations exceeding estimated resources for the original budget:

<i>Nonmajor Special Revenue Funds</i>	
Miscellaneous Federal Grant	\$179

The following funds had appropriations exceeding estimated resources for the final budget:

<i>Nonmajor Special Revenue Funds</i>	
DPIA	\$68,487
Title I	94,167

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis), presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. 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).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type and non-expendable trust fund (GAAP basis).

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

Net Change in Fund Balance

GAAP Basis	\$1,282,452
Revenue Accruals	12,949
Expenditure Accrual	(417,601)
Encumbrances	<u>(142,697)</u>
Budget Basis	<u>\$735,103</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current 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.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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;
- (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 (STAROhio); 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*.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the School District's deposits was \$6,278,636, and the bank balance was \$6,587,947. Of the bank balance:

- (1) \$100,000 was covered by federal depository insurance.
- (2) \$6,487,947 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 equivalent 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 6 - 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 2003 taxes were collected for Gallia County are:

	<u>2002 Second-Half Collections</u>		<u>2003 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$145,670,080	51.67%	\$157,995,240	53.57%
Public Utility	123,369,130	43.76%	124,629,990	42.26%
Tangible Personal Property	<u>12,879,368</u>	<u>4.57%</u>	<u>12,313,257</u>	<u>4.17%</u>
Total Assessed Value	<u><u>\$281,918,578</u></u>	<u><u>100.00%</u></u>	<u><u>\$294,938,487</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$25.35		\$22.00	

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.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - PROPERTY TAXES (Continued)

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, 2003, are available to finance fiscal year 2003 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, 2003. 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, 2003 was \$85,163 in the General Fund is recognized as revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 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>
Special Revenue Funds:	
Title I	\$94,166
Help Me Grow	<u>56,606</u>
Total Intergovernmental Receivables	<u>\$150,772</u>

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 8 - FIXED ASSETS

	Balance 6/30/2002	Additions	Deductions	Balance 6/30/2003
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$363,710	\$0	\$0	\$363,710
Total Capital Assets not being Depreciated	363,710	0	0	363,710
 Depreciable Capital Assets:				
Land Improvements	1,167,412	0	0	1,167,412
Buildings and Improvements	15,645,418	0	0	15,645,418
Furniture and Equipment	692,499	9,500	(39,763)	662,236
Infrastructure	197,171	0	0	197,171
Library and Textbooks	1,076,574	0	0	1,076,574
Vehicles	3,113,178	0	0	3,113,178
Total Capital Assets being Depreciated	21,892,252	9,500	(39,763)	21,861,989
Less Accumulated Depreciation				
Land Improvements	(1,167,412)	0	0	(1,167,412)
Buildings and Improvements	(6,344,810)	(311,891)	0	(6,656,701)
Furniture and Equipment	(630,566)	(14,913)	39,763	(605,716)
Infrastructure	(87,032)	(3,943)	0	(90,975)
Library and Textbooks	(958,749)	(21,423)	0	(980,172)
Vehicles	(2,636,093)	(132,353)	0	(2,768,446)
Total Accumulated Depreciation	(11,824,662)	(484,523) *	39,763	(12,269,422)
Total Capital Assets being Depreciated, Net	10,067,590	(475,023)	0	9,592,567
Capital Assets, Net	\$10,431,300	(\$475,023)	\$0	\$9,956,277

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$318,984
Special	15,161
Support Services:	
Administration	7,485
Operation and Maintenance of Plant	655
Pupil Transportation	133,652
Extracurricular Activities	4,217
Non-instructional services	4,369
Total Depreciation Expense	\$484,523

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the 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 School District pays this annual premium to the OSRSA (See Note 20). The types and amount of coverage provided by the Ohio School Risk Sharing Authority during fiscal year 2003 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 2003, the School District participated in the Ohio School Boards Association Workers= Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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 AEquity Pooling Fund@. This Aequity 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.

Medical/surgical and dental insurance is offered to employees through a self-insurance fund accounted for within the General Fund. Monthly premiums are paid to the School District's Employee Benefits Self-Insurance Fund. Oak Hill Financial Administrators, the School District's third party administrator, informs the School District of claim payments needed each week, who in turn pays the claims on the School District's behalf. This is the first year for which the self-insurance fund was established.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - RISK MANAGEMENT (Continued)

An administrative charge is paid monthly to Oak Hill Financial Administrators. The claims liability of \$3,835 reported in the General Fund at June 30, 2003 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the fiscal year follows:

	<u>Balance at 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

NOTE 10 -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 9 percent of their annual covered salary and the School 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 2003, 8.17% 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, 2003, 2002, and 2001 were \$267,163, \$85,122, and \$96,181, respectively; 54 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$123,459 represents the unpaid contribution for fiscal year 2003.

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.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

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 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 9.3 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, 2003, 2002, and 2001 were \$1,113,934, \$825,830, and \$844,014, respectively; 85 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$170,969 represents the unpaid contribution for fiscal year 2003.

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, 2003, four members of the School District Board have elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 11 - 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 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$11,646 during fiscal year 2003.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS has 105,300 eligible benefit recipients.

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 employers 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay has been established at \$14,500. 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 School District, the amount to fund health care benefits, including the surcharge, equaled \$174,115 during the 2003 fiscal year.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - 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.

B. Insurance

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 \$856.04 for family coverage and up to \$311.28 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical 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.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 12 - OTHER EMPLOYEE BENEFITS (Continued)

Dental coverage was provided through Anthem Insurance through May 31, 2003. Premiums for the dental coverage were \$42.46 monthly for family and \$15.73 for single coverage. Dental coverage was provided through United Health Care beginning June 1, 2003. Premiums for the dental coverage are \$52.66 monthly for family and \$19.50 for single coverage.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Payments Due in One Year
General Obligation Bonds 7.375%	\$1,710,000	\$0	\$570,000	\$1,140,000	\$570,000
Energy Conservation Notes					
6.25% - 1992 - \$410,000	55,000	0	55,000	0	0
5.00% - 1996 - \$240,000	110,000	0	25,000	85,000	25,000
5.80% - 1997 - \$270,000	125,000	0	30,000	95,000	30,000
Total Long-Term Bonds and Notes	2,000,000	0	680,000	1,320,000	625,000
Compensated Absences	973,292	453,310	0	1,426,602	74,088
Total Long-Term Obligations	\$2,973,292	\$453,310	\$680,000	\$2,746,602	\$699,088

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.

The School District's voted legal debt margin was \$25,224,454 with an unvoted debt margin of \$294,938 at June 30, 2003. Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30	Principal	Interest	Total
2004	\$625,000	\$72,816	\$697,816
2005	630,000	27,789	657,789
2006	65,000	3,530	68,530
Total	\$1,320,000	\$104,135	\$1,424,135

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. SOUTHEAST OHIO VOLUNTARY EDUCATIONAL CONSORTIUM

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

SEOVEC is governed by a governing board which is selected by the members. Each member has one vote in all matters, and each member's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. During fiscal year 2003, the Gallia County Local School District paid \$51,457 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.

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 2003, the School District made no contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Cindy Hunt, 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 a 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.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 15 - INSURANCE PURCHASING POOL

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

NOTE 16 - 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.

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.

NOTE 17 - 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, 2003.

B. Litigation

The School District is not party to legal proceedings.

NOTE 18 - 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 19 - 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.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 19 - STATUTORY RESERVES (Continued)

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, 2002	\$236,251	\$0
Current year set-aside requirement	356,875	356,875
Qualifying disbursements and offsets	(329,300)	(372,033)
Set-aside Reserve Balance as of June 30, 2003	\$263,826	\$0

NOTE 20 – 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 21 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year 2003, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements.” GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on accrual basis of accounting and fund financial statements which present information by major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (Continued)

The implementation of the Statements requires certain adjustments be recorded to the June 30, 2002, fund balances of major and non-major funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Permanent Improvement	Non- Major	Total
Fund Balances, June 30, 2002	(\$53,994)	\$1,053,776	\$1,593,909	\$2,593,691
Restatement Amount	45,074	0	(35,482)	9,592
Restated Fund Balances, June 30, 2002	(\$8,920)	\$1,053,776	\$1,558,427	\$2,603,283
Adjustments necessary to comply with GASB 34				7,812,728
Governmental Activities Net Assets June 30, 2002				\$10,416,011

NOTE 22 – INTERFUND ACTIVITY

Interfund balances at June 30, 2003, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2004 fiscal year:

Interfund Loans	Receivable	Payable
General Fund	\$ 101,443	\$ -
Nonmajor Special Revenue Funds		
Food Service	-	37,033
Help Me Grow	-	64,410
Total Nonmajor Special Revenue Funds	-	101,443
 Total Interfund Receivables/Payables	 \$ 101,443	 \$ 101,443

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 RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 76,884	\$	\$ 76,884
School Breakfast Program	10.553	05-PU-02 05-PU-03	20,924 125,421		20,924 125,421	
Total School Breakfast Program			146,345	0	146,345	0
National School Lunch Program	10.555	LL-P4-02 LL-P4-03	47,953 312,839		47,953 312,839	
Total National School Lunch Program			360,792	0	360,792	0
Total Nutrition Cluster			507,137	76,884	507,137	76,884
Total United States Department of Agriculture			507,137	76,884	507,137	76,884
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies						
	84.010	C1-S1-01C C1-S1-02 C1-S1-03	113,641 127,171 1,078,305		118,703 307,980 596,069	
Total Title I Grants to Local Educational Agencies			1,319,117	0	1,022,752	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-SF-02-P 6B-SF-03-P	24,385 344,704		43,777 224,968	
Total Special Education - Grants to States			369,089	0	268,745	0
Special Education - Preschool Grants	84.173	PG-S1-02-P PG-S1-03-P	18,229 18,158		5,531 3,650	
Total Special Education - Preschool Grants			36,387	0	9,181	0
Total Special Education Cluster			405,476	0	277,926	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-03	26,492		26,492	
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	G2-S1-00 G2-S1-01 G2-S2-00 G2-S2-01 G2-S9-01	16,278		37 29,987 1,316 11,019 23,634	
Total Goals 2000 - State and Local Education Systemic Improvement Grants			16,278	0	65,993	0
Eisenhower Professional Development State Grants	84.281	MS-S1-01 MS-S1-02			19,313 3,119	
Total Eisenhower Professional Development State Grants			0	0	22,432	0
Innovative Education Program Strategies	84.298	C2-S1-01 C2-S1-02 C2-S1-03	18,953		69 7,592 10,706	
Total Innovative Education Program Strategies			18,953	0	18,367	0
Education Technology State Grants	84.318	TJ-S1-03	29,525	0	9,789	0
Comprehensive School Reform Demonstration	84.332	RF-CC-03 RF-S1-02	49,999 75,000		21,781 55,427	
Total Comprehensive School Reform Demonstration			124,999	0	77,208	0
Class Size Reduction	84.340	CR-S1-01 CR-S1-02			15,310 26,408	
Total Class Size Reduction			0	0	41,718	0
School Renovation Grant	84.352A	AT-S3-02	682	0	0	0
Rural Education	84.358	RU-S1-03	55,401	0	2,823	0
Improving Teacher Quality State Grants	84.367	TR-S1-03	280,233	0	190,903	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>						
Guiding Children to Live Successfully	84.186A	DFS-P-02 DFS-P-03	90,000		2,040 89,144	
Total Guiding Children to Live Successfully			90,000	0	91,184	0
Total United States Department of Education			2,367,156	0	1,847,587	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program (Medicaid: Title XIX)	93.778	N/A	45,865	0	45,865	0
Total United States Department of Health and Human Services			45,865	0	45,865	0
Total Federal Awards Receipts and Expenditures			\$ 2,920,158	\$ 76,884	\$ 2,400,589	\$ 76,884

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To The Board of Education:

We have audited the basic financial statements of the Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 31, 2004, wherein we noted the School District has adopted Governmental Accounting Statements No. 34, 37, and 38 and Interpretation 6. We conducted our audit in accordance with the 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.

Compliance

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, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 31, 2004.

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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 31, 2004.

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Gallia County Local School District
Gallia County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page -2-

This report is intended for the information and use of the audit committee, management, the Board of Education 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 31, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Gallia County Local School District, Gallia County, Ohio (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 its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about 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 on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings as item 2003-002.

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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 31, 2004.

This report is intended for the information and use of the audit committee, management, the Board of Education, 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.



Betty Montgomery
Auditor of State

March 31, 2004

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Was 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 material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Was 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 § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: Food Donation – CFDA 10.550, School Breakfast Program – CFDA 10.553, and National School Lunch Program – CFDA 10.555 Special Education Cluster: Special Education Grants to States - CFDA #84.027 and Special Education Preschool Grants – CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures plus encumbrances exceeded appropriations throughout the year and at year end in the following funds on the budgetary basis of accounting:

	Final Appropriations Including Carryover	Total Expenditures Plus Encumbrances	Variance
<u>At November 30, 2002:</u>			
Special Revenue Funds			
018 - Public School Support	\$50,805	\$56,309	(\$5,504)
300 - District Managed Activity	31,413	62,299	(30,886)
Capital Projects Fund			
003 - Permanent Improvement	11,000	104,862	(93,862)
Agency Fund			
022 - District Agency	1,816	2,962	(1,146)
<u>At May 31, 2003:</u>			
Special Revenue Fund			
300 - District Managed Activity	31,413	115,737	(84,324)
Enterprise Fund			
006 - Food Service	781,480	800,011	(18,531)
Internal Service Fund			
024 - Insurance	0	6,040	(6,040)
Agency Fund			
022 - Student Managed Activity	97,466	198,652	(101,186)
<u>At June 30, 2003:</u>			
General Fund			
001 - General	16,446,229	16,508,553	(62,324)
Special Revenue Fund			
018 - Public School Support	106,164	107,107	(943)
300 - District Managed Activity	31,413	118,332	(86,919)
Capital Projects Fund			
003 - Permanent Improvement	311,000	392,328	(81,328)
Enterprise Fund			
006 - Food Service	781,480	861,992	(80,512)
Agency Fund			
022 - Student Managed Activity	97,466	212,044	(114,578)

We recommend the School District monitor appropriations vs. actual expenditures plus encumbrances and amend appropriations as needed. Furthermore, we recommend the School District not allow any expenditure for which appropriations are not available.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-002
CFDA Title and Number	Special Education Cluster: Special Education Grants to States – CFDA 84.027 Special Education Preschool Grants – CFDA 84.173
Federal Award Number/Year	6B-SF-03-P, PG-S1-03-P
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Cash Management Noncompliance Citation

The Ohio Department of Education (ODE) online Project Cash Request (PCR) Form states except for the initial PCR, cash requests are limited to one month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date). ODE required written explanations for monthly cash advance requests which exceed the 10% limit. Additionally, written explanations are required for cash advance requests when the balance on hand exceeds 10% of the approved budget amount. Funds are to be expended within the period of time for which they are requested (e.g. funds requested for January should be expended or encumbered during January).

We were unable to agree expenditures plus encumbrances to the Total Expenditures reported on the PCR Forms for 5 of the 12 forms tested. This is due in part to the PCR forms being prepared during the month and expenditure reports being prepared at month end. In these instances, the School District did not maintain expenditure reports indicating expenditure amounts as of the date of the request. However, for the reports prepared as of May 31, 2003, we noted the following:

For the FY03 Special Education Title VI-B Grant, expenditures plus encumbrances at May 31, 2003 totaled \$218,412 per the School District's FINSUM report. However, the PCR form indicates expenditures totaled \$310,234, a difference of \$91,822. The PCR then calculated a negative cash balance on hand of \$108,088 when it was actually negative \$16,267. The School District then drew down the \$142,559 remaining in the grant award which included \$108,088 to cover the calculated negative cash balance and \$34,471 to be used for the month of June 2003. Since the School District's cash balance was not as low as calculated on the PRC, funds were not expended by the end of June as required, resulting in an excess accumulation of funds.

For the FY03 Special Education Preschool Grant, expenditures plus encumbrances at May 31, 2003 totaled \$6,057 per the School District's FINSUM report. However, the PCR form indicates expenditures totaled \$16,342, a difference of \$10,285. The PCR then calculated a negative cash balance on hand of \$11,258 when it was actually negative \$973. The School District then drew down the \$13,074 remaining in the grant award which included \$11,258 to cover the calculated negative cash balance and \$1,816 to be used for the month of June 2003. Since the School District's cash balance was not as low as calculated on the PRC, funds were not expended by the end of June as required, resulting in an excess accumulation of funds.

We recommend the School District maintain supporting documentation for expenditures reported on the project cash request forms and limit cash requests to actual cash needs.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10727-001	Noncompliance citation of Ohio Rev. Code Section 5705.36 to obtain amended certificates.	No	Partially Corrected -This issue has been referred to management in a separate letter dated March 31, 2004.
2002-10727-002	Noncompliance citation of Ohio Rev. Code Section 5705.38 to adopt annual appropriation measure.	No	Partially Corrected -This issue has been referred to management in a separate letter dated March 31, 2004.
2002-10727-003	Noncompliance citation of Ohio Rev. Code Section 5705.40 to amend appropriations following same procedures used in original appropriation measure.	Yes	Corrected
2002-10727-004	Noncompliance citation of Ohio Rev. Code Section 5705.41(B) for expenditures plus encumbrances exceeding appropriations.	No	Not Corrected: See Finding Number 2003-001 in the Schedule of Findings.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR THE YEAR ENDED JUNE 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The School District Treasurer intends to monitor expenditures plus encumbrances monthly to determine if amendments are needed.	February 29, 2004	Sandra Foster, Treasurer
2003-002	The School District Treasurer and Superintendent intend to report actual expenditures on the Project Cash Requests in order to limit requests to actual needs. The Treasurer also intends to attach support for the expenditure amount to the PCR form.	February 29, 2004	Sandra Foster, Treasurer Charla Evans, Superintendent



**Auditor of State
Betty Montgomery**

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GALLIA COUNTY LOCAL SCHOOL DISTRICT

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 4, 2004**