

Gallia County Local School District

Gallia County, Ohio

Single Audit

July 1, 2005 through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006



**BALESTRA, HARR & SCHERER**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
528 S. WEST STREET, P.O. Box 687  
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131

FAX (740) 289-3639

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





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Gallia County Local School District, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 23, 2007

**This Page is Intentionally Left Blank.**

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

*Table of Contents*

Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	10
Statement of Activities .....	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund .....	16
Statement of Net Assets- Internal Service Fund.....	17
Statement of Revenues, Expenses and Changes in Net Assets- Internal Service Fund .....	18
Statement of Cash Flows- Governmental Activities- Internal Service Fund.....	19
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	20
Notes to the Basic Financial Statements .....	22
Schedule of Federal Awards Receipts and Expenditures .....	47
Notes to Schedule of Federal Awards Receipts and Expenditures .....	48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	49
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133 .....	51
Schedule of Findings- OMB Circular A-133 §.505.....	53

# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

---

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District (the School District), Gallia County, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

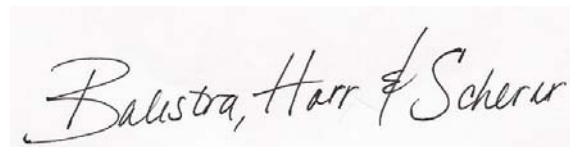
In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2007, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

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

Balestra, Harr & Scherer CPAs, Inc.  
January 19, 2007

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*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, 2006. 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 2006 are as follows:**

- Net assets of governmental activities increased \$1,405,315.
- General revenues accounted for \$19,280,738 in revenue or 71% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$7,733,097 or 21% of total revenues of \$27,013,835.
- The School District had \$25,608,520 in expenses related to governmental activities; only \$7,733,097 of these expenses were offset by program specific charges for services, grants and contributions, and interest. General revenues of \$19,280,738 were adequate to provide for these programs.
- The School District has three major funds; the General Fund, the Bond Retirement and the Construction Fund. All governmental funds had total revenue and other financing sources in the amount of \$114,562,997 and expenditures and other financing uses in the amount of \$70,194,580.

**USING THIS ANNUAL FINANCIAL REPORT**

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

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



**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*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 2006?" 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 6. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Bond Retirement Debt Service Fund, and the Construction Capital Projects Fund.

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

***Proprietary Fund.*** Proprietary funds use the same basis of accounting as business-type activities. The internal service fund is used to report activities that provide services to the School District's other funds and departments.

***Fiduciary Funds.*** The School District's fiduciary funds include a private purpose trust fund and an agency fund. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*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 2006 compared to 2005.

Table 1  
Net Assets

	Governmental Activities	
	2006	2005*
<b>Assets</b>		
Current and Other Assets	\$63,452,532	\$14,933,545
Capital Assets	10,564,339	9,541,504
<b>Total Assets</b>	<u>74,016,871</u>	<u>24,475,049</u>
<b>Liabilities</b>		
Long-term Liabilities	45,896,251	1,593,955
Current and Other Liabilities	13,390,066	9,555,855
<b>Total Liabilities</b>	<u>59,286,317</u>	<u>11,149,810</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	10,030,773	9,470,630
Restricted	3,902,224	2,859,161
Unrestricted	797,557	995,448
<b>Total Net Assets</b>	<u>\$14,730,554</u>	<u>\$13,325,239</u>

\* Restated, See Note 3

Total net assets of the District as a whole increased \$1,405,315. The increase to current and other assets and long-term liabilities is due to the cash received from a \$43,000,000 bond issuance by the School District. Capital Assets increased \$1,022,835 primarily due to the purchase of land and construction in progress costs related to architect fees. Other liabilities increased primarily due to the increase in taxes receivable estimates for the fiscal year and the offsetting deferred revenue amounts.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, as compared with 2005.

Table 2  
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005*
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$1,574,873	\$1,503,522
Operating Grants and Contributions	6,000,917	6,190,662
Capital Grants and Contributions	157,307	180,212
Total Program Revenues	<u>7,733,097</u>	<u>7,874,396</u>
General Revenues		
Property Taxes	8,740,302	7,056,230
Grants and Entitlements	8,752,015	8,908,174
Investment Earnings	1,592,847	177,767
Gifts and Donations	4,000	0
Gain on Sale of Capital Assets	0	5,323
Miscellaneous	191,574	82,505
Total General Revenues	<u>19,280,738</u>	<u>16,229,999</u>
Total Revenues	<u>27,013,835</u>	<u>24,104,395</u>
<b>Program Expenses</b>		
Instruction:		
Regular	9,611,704	8,627,543
Special	3,074,133	3,187,951
Vocational	378,949	505,117
Other	1,520,469	1,405,620
Support Services:		
Pupil	570,775	712,651
Instructional Staff	1,202,036	1,188,524
Board of Education	77,393	55,289
Administration	1,631,451	1,567,629
Fiscal	550,364	508,819
Business	28,739	23,484
Operation and Maintenance of Plant	1,852,155	1,707,521
Pupil Transportation	2,089,519	1,938,999
Central	413,063	461,386
Operation of Non-Instructional Services	918,996	861,462
Extracurricular Activities	485,525	494,588
Interest and Fiscal Charges	1,203,249	23,912
Total Expenses	<u>25,608,520</u>	<u>23,270,495</u>
Increase in Net Assets	1,405,315	833,900
Net Assets Beginning of Year	13,325,239	12,491,339
Net Assets End of Year	<u>\$ 14,730,554</u>	<u>\$ 13,325,239</u>

\* Restated, See note 3.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

Investment earnings increased due to the increase in cash held by the District at fiscal year end due to the issuance of \$43,000,000 in general obligation bonds. Interest expense also increased from the prior year due to the issuance of short-term notes and general obligation bonds. Tax revenue increased due to an increase in tax rates for the current fiscal year. Regular instruction increased due to an increase in staff and salaries.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for 2006 as compared with 2005. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
 Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program Expenses				
Instruction:				
Regular	\$9,611,704	\$7,700,574	\$8,627,543	\$6,948,054
Special	3,074,133	1,641,913	3,187,951	1,392,132
Vocational	378,949	356,626	505,117	474,934
Other	1,520,469	1,428,417	1,405,620	1,319,786
Support Services:				
Pupil	570,775	497,492	712,651	485,548
Instructional Staff	1,202,036	494,806	1,188,524	388,175
Board of Education	77,393	72,834	55,289	51,985
Administration	1,631,451	1,452,982	1,567,629	1,357,403
Fiscal	550,364	479,896	508,819	361,971
Business	28,739	27,046	23,484	22,081
Operation and Maintenance of Plant	1,852,155	1,607,321	1,707,521	1,482,133
Pupil Transportation	2,089,519	902,864	1,938,999	753,669
Central	413,063	226,419	461,386	192,020
Operation of Non-Instructional Services	918,996	(118,131)	861,462	24,403
Extracurricular Activities	485,525	58,732	494,588	259,389
Interest and Fiscal Charges	1,203,249	1,045,632	23,912	(117,584)
<b>Total</b>	<b>\$25,608,520</b>	<b>\$17,875,423</b>	<b>\$23,270,495</b>	<b>\$15,396,099</b>

**THE SCHOOL DISTRICT FUNDS**

The School District's major funds are accounted for using the modified accrual basis of accounting. The most significant change in fund balance was in the Construction Fund. The Construction fund had \$44,879,554 in revenues and other financing sources due to the issuance of general obligation bonds and expenditures in the amount of \$1,420,989. The Bond Retirement fund had a fund balance increase in the amount of \$1,217,172. The Bond Retirement fund had \$45,570,985 in revenues and other financing sources and \$44,353,813 in expenditures due to the issuance and retirement of short term notes. The General fund had \$18,427,897 in revenues and other financing sources and \$18,586,639 in expenditures and other financing uses, which resulted in a decrease in fund balance of \$158,742.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*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 2006, the School District amended its General Fund budget, but not significantly.

For the General Fund, final budget basis revenue was \$18,484,180, below original estimates of \$21,103,787. Of this \$2,619,607 difference, most was due to conservative tax estimates, based on the County Auditor's Certification. The final budgeted appropriations of \$18,899,503 increased from the original appropriations in the amount of \$259,465 due to the increase of regular instruction.

The School District's ending unobligated General Fund balance was \$2,850,426.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2006, the School District had \$10,564,339 invested in land and land improvements, construction in progress buildings and improvements, furniture and equipment, infrastructure, vehicles, and library and textbooks. Table 4 shows fiscal year 2006 balances compared to 2005.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2006	2005
Land and Land Improvements	\$720,830	\$363,710
Construction in Progress	985,297	0
Buildings and Improvements	8,084,955	8,397,579
Furniture and Equipment	178,289	182,578
Infrastructure	94,366	98,309
Vehicles	468,468	445,771
Library and Textbooks	32,134	53,557
	\$10,564,339	\$9,541,504

Changes in capital assets from the prior year resulted from additions, deletions, and depreciation. For additional information on capital assets, see Note 9 to the basic financial statements.

**Gallia County Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

---

***Debt***

At June 30, 2006, the School District had general obligation bonds outstanding of \$43,000,000, excluding the premium of \$1,278,916. For additional information on debt, see Note 15 to the basic financial statements.

**ECONOMIC FACTORS**

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

**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.

**Gallia County Local School District**

*Statement of Net Assets*

*June 30, 2006*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$51,202,138
Accrued Interest Receivable	34,113
Intergovernmental Receivable	320,019
Property Taxes Receivable	10,955,839
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	421,856
Unamortized Financing Costs	518,567
Nondepreciable Capital Assets	1,706,127
Depreciable Capital Assets, Net	8,858,212
<i>Total Assets</i>	<u>74,016,871</u>
<b>Liabilities</b>	
Accounts Payable	2,383
Accrued Wages and Benefits Payable	1,662,263
Contracts Payable	354,155
Intergovernmental Payable	854,341
Accrued Interest Payable	165,443
Matured Compensated Absences Payable	39,880
Deferred Revenue	10,299,308
Claims Payable	12,293
Long-Term Liabilities:	
Due Within One Year	199,447
Due In More Than One Year	45,696,804
<i>Total Liabilities</i>	<u>59,286,317</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	10,030,773
Restricted for:	
Capital Projects	1,832,531
Debt Service	1,905,022
Other Purposes	70,653
Contributions:	
Expendable	2,018
Non-Expendable	92,000
Unrestricted	797,557
<i>Total Net Assets</i>	<u><u>\$14,730,554</u></u>

See accompanying notes to the basic financial statements

**Gallia County Local School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2006*

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$9,611,704	\$442,426	\$1,442,198	\$26,506	(\$7,700,574)
Special	3,074,133	116,389	1,315,831	0	(1,641,913)
Vocational	378,949	22,323	0	0	(356,626)
Other	1,520,469	89,382	2,670	0	(1,428,417)
Support Services:					
Pupil	570,775	30,704	42,579	0	(497,492)
Instructional Staff	1,202,036	23,831	683,399	0	(494,806)
Board of Education	77,393	4,559	0	0	(72,834)
Administration	1,631,451	91,713	86,756	0	(1,452,982)
Fiscal	550,364	27,807	27,880	14,781	(479,896)
Business	28,739	1,693			(27,046)
Operation and Maintenance of Plant	1,852,155	99,908	113,116	31,810	(1,607,321)
Pupil Transportation	2,089,519	118,157	984,288	84,210	(902,864)
Central	413,063	12,387	174,257	0	(226,419)
Operation of Non-Instructional Services					
	918,996	250,326	786,801	0	118,131
Extracurricular Activities	485,525	243,259	183,534	0	(58,732)
Interest and Fiscal Charges	1,203,249	9	157,608	0	(1,045,632)
<b>Totals</b>	<u>\$25,608,520</u>	<u>\$1,574,873</u>	<u>\$6,000,917</u>	<u>\$157,307</u>	<u>(17,875,423)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					6,886,056
Debt Service					1,511,769
Permanent Improvements					342,477
Grants and Entitlements not Restricted to Specific Programs					8,752,015
Gifts and Donations not Restricted to Specific Programs					4,000
Investment Earnings					1,592,847
Miscellaneous					191,574
<b>Total General Revenues</b>					<u>19,280,738</u>
<b>Change in Net Assets</b>					1,405,315
<b>Net Assets Beginning of Year - Restated, See Note 3</b>					<u>13,325,239</u>
<b>Net Assets End of Year</b>					<u>\$14,730,554</u>

See accompanying notes to the basic financial statements



**Gallia County Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2006*

	General	Bond Retirement	Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,653,676	\$1,905,022	\$43,808,559	\$2,534,673	\$50,901,930
Receivables:					
Property Taxes	10,295,055	0	0	660,784	10,955,839
Accrued Interest	29,309	0	4,161	643	34,113
Interfund	293,849	0	0	0	293,849
Intergovernmental	0	0	0	320,019	320,019
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	421,856	0	0	0	421,856
<b>Total Assets</b>	<b>\$13,693,745</b>	<b>\$1,905,022</b>	<b>\$43,812,720</b>	<b>\$3,516,119</b>	<b>\$62,927,606</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$1,207	\$0	\$0	\$1,176	\$2,383
Accrued Wages and Benefits Payable	1,363,359	0	0	298,904	1,662,263
Contracts Payable	0	0	354,155	0	354,155
Interfund Payable	0	0	0	293,849	293,849
Matured Compensated Absences Payable	28,408	0	0	11,472	39,880
Intergovernmental Payable	741,708	0	0	112,633	854,341
Deferred Revenue	10,151,449	0	0	800,636	10,952,085
<b>Total Liabilities</b>	<b>12,286,131</b>	<b>0</b>	<b>354,155</b>	<b>1,518,670</b>	<b>14,158,956</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	188,099	0	3,515	304,174	495,788
Reserved for Contributions	0	0	0	92,000	92,000
Reserved for Property Taxes	143,606	0	0	7,180	150,786
Reserved for Textbooks and Materials	145,952	0	0	0	145,952
Reserved for Capital Improvements	275,904	0	0	0	275,904
Unreserved, Undesignated, Reported in:					
General Fund	654,053	0	0	0	654,053
Special Revenue Funds	0	0	0	(19,189)	(19,189)
Debt Service Funds	0	1,905,022	0	0	1,905,022
Permanent Funds	0	0	0	2,018	2,018
Capital Projects Funds	0	0	43,455,050	1,611,266	45,066,316
<b>Total Fund Balances</b>	<b>1,407,614</b>	<b>1,905,022</b>	<b>43,458,565</b>	<b>1,997,449</b>	<b>48,768,650</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,693,745</b>	<b>\$1,905,022</b>	<b>\$43,812,720</b>	<b>\$3,516,119</b>	<b>\$62,927,606</b>

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, 2006*

<b>Total Governmental Fund Balances</b>		\$ 48,768,650
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.		10,564,339
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	505,745	
Intergovernmental	147,032	
Unamortized Financing Costs	518,567	
Total		1,171,344
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.		287,915
Long-Term Liabilities, including bonds, capital lease obligations, and 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	(165,443)	
Compensated Absences	(1,616,900)	
General Obligation Bonds	(43,000,000)	
Premium on Bonds	(1,278,916)	
Capital Lease Obligations	(435)	
Total		(46,061,694)
		\$ 14,730,554

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, 2006*

	Bond			Other	Total
	General	Retirement	Construction	Governmental Funds	Governmental Funds
<b>Revenues</b>					
Taxes	\$6,827,680	\$1,511,769	\$0	\$342,477	\$8,681,926
Intergovernmental	10,086,699	162,758	0	4,757,542	15,006,999
Investment Earnings	321,091	1,223	1,266,038	4,495	1,592,847
Charges for Services	0	0	0	250,250	250,250
Tuition and Fees	1,097,091	0	0	0	1,097,091
Extracurricular Activities	0	0	0	227,531	227,531
Gifts and Donations	4,000	0	0	0	4,000
Miscellaneous	89,808	0	0	101,766	191,574
<i>Total Revenues</i>	<u>18,426,369</u>	<u>1,675,750</u>	<u>1,266,038</u>	<u>5,684,061</u>	<u>27,052,218</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	7,455,464	0	0	1,688,463	9,143,927
Special	1,977,857	0	0	1,067,481	3,045,338
Vocational	403,081	0	0	0	403,081
Other	1,517,362	0	0	3,105	1,520,467
Support Services:					
Pupil	513,270	0	0	68,887	582,157
Instructional Staff	401,224	0	0	798,360	1,199,584
Board of Education	77,393	0	0	0	77,393
Administration	1,521,568	0	0	115,606	1,637,174
Fiscal	471,249	40,898	0	37,409	549,556
Business	27,235	0	0	0	27,235
Operation and Maintenance of Plant	1,685,937	0	0	155,454	1,841,391
Pupil Transportation	1,993,288	0	0	103,016	2,096,304
Central	208,692	0	0	202,782	411,474
Operation of Non-Instructional Services	1,289	0	0	913,177	914,466
Extracurricular Activities	267,169	0	0	214,240	481,409
Capital Outlay	0	0	881,679	462,190	1,343,869
Debt Service:					
Principal	2,489	43,065,000	0	2,951	43,070,440
Interest and Fiscal Charges	145	1,247,915	0	18	1,248,078
Issuance Costs	0	0	539,310	0	539,310
<i>Total Expenditures</i>	<u>18,524,712</u>	<u>44,353,813</u>	<u>1,420,989</u>	<u>5,833,139</u>	<u>70,132,653</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(98,343)</u>	<u>(42,678,063)</u>	<u>(154,951)</u>	<u>(149,078)</u>	<u>(43,080,435)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	500	500
Proceeds from Sale of Short Term Notes	0	0	43,000,000	0	43,000,000
Proceeds from Sale of General Obligation Bonds	0	43,000,000	0	0	43,000,000
Premium on Bonds and Notes Issued	0	895,235	613,516	0	1,508,751
Proceeds from Sale of Assets	1,528	0	0	0	1,528
Transfers Out	(61,927)	0	0	0	(61,927)
<i>Total Other Financing Sources (Uses)</i>	<u>(60,399)</u>	<u>43,895,235</u>	<u>43,613,516</u>	<u>500</u>	<u>87,448,852</u>
<i>Net Change in Fund Balances</i>	<u>(158,742)</u>	<u>1,217,172</u>	<u>43,458,565</u>	<u>(148,578)</u>	<u>44,368,417</u>
<i>Fund Balances Beginning of Year -</i>					
<i>Restated, See Note 3</i>					
	<u>1,566,356</u>	<u>687,850</u>	<u>0</u>	<u>2,146,027</u>	<u>4,400,233</u>
<i>Fund Balances End of Year</i>	<u>\$1,407,614</u>	<u>\$1,905,022</u>	<u>\$43,458,565</u>	<u>\$1,997,449</u>	<u>\$48,768,650</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, 2006*

**Net Change in Fund Balances - Total Governmental Funds** \$ 44,368,417

**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	1,506,841	
Current Year Depreciation	(474,808)	
Total	1,032,033	1,032,033

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.

Loss on Disposal of Capital Assets	(9,198)	
Total	(9,198)	(9,198)

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

Taxes	58,376	
Intergovernmental	(96,762)	
Total	(38,386)	(38,386)

Proceeds from the sale of notes and bonds in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (86,000,000)

The premium from the sale of bonds is recorded as an increase liability in the statement of net assets, but is recorded as an other financing source in the governmental funds. (1,508,751)

Debt issuance costs are reported as expenditures in the governmental funds, but are not reported as expenses in the statement of activities. 539,310

The amortization of debt issuance costs and premiums are reported as expenditures in the governmental funds but are not reported in the statement of activities. 209,092

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

Bond Principal Payments	65,000	
Note Principal Payments	43,000,000	
Capital Lease Principal Payments	5,440	
Total	43,070,440	43,070,440

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 440

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	(93,819)	
Increase in Interest Payable	(164,263)	
Total	(258,082)	(258,082)

**Net Change in Net Assets of Governmental Activities** \$ 1,405,315

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Total Revenues and Other Sources	\$21,103,787	\$18,484,180	\$18,484,180	\$0
Total Expenditures and Other Uses	<u>20,233,054</u>	<u>20,492,519</u>	<u>18,899,503</u>	<u>1,593,016</u>
Net Change in Fund Balance	870,733	(2,008,339)	(415,323)	1,593,016
Fund Balance, July 1	2,901,962	2,901,962	2,901,962	0
Prior Year Encumbrances Appropriated	<u>360,968</u>	<u>360,968</u>	<u>363,787</u>	<u>(2,819)</u>
Fund Balance, June 30	<u><u>\$4,133,663</u></u>	<u><u>\$1,254,591</u></u>	<u><u>\$2,850,426</u></u>	<u><u>\$1,590,197</u></u>

See accompanying notes to the basic financial statements

**Gallia County Local School District**  
**Statement of Fund Net Assets**  
**Governmental Activities**  
**Internal Service Fund**  
**June 30, 2006**

---

	<u><b>Internal Service Fund</b></u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 300,208
<i>Total Assets</i>	<u>300,208</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Claims Payable	<u>12,293</u>
<i>Total Liabilities</i>	<u>12,293</u>
<b>NET ASSETS:</b>	
Unrestricted	<u>287,915</u>
<i>Total Net Assets</i>	<u><u>\$ 287,915</u></u>

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

**Gallia County Local School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Governmental Activities**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2006**

	<u><b>Internal Service Fund</b></u>
<b>OPERATING REVENUES:</b>	
Other Revenues	\$ 729
<i>Total Operating Revenues</i>	<u>729</u>
<b>OPERATING EXPENSES:</b>	
Purchased Services	25,539
Claims	<u>36,177</u>
<i>Total Operating Expense</i>	<u>61,716</u>
Operating Loss Before Transfers	(60,987)
Transfers In	<u>61,427</u>
<i>Changes in Net Assets</i>	440
<i>Net Assets at Beginning of Year</i>	<u>287,475</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 287,915</u></u>

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

**Gallia County Local School District**  
**Statement of Cash Flows**  
**Governmental Activities**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2006**

	<b>Internal Service Fund</b>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$729
Cash Payments for Claims	(29,982)
Cash Payments for Purchased Services	(25,539)
<i>Net Cash Provided by Operating Activities</i>	(54,792)
<i>Cash Flows from Noncapital Financing Activities:</i>	
Operating Transfers In	61,427
<i>Net Cash Provided by Noncapital Financing Activities</i>	61,427
Increase in Cash and Cash Equivalents	6,635
Cash and Cash Equivalents at Beginning of Year	293,573
Cash and Cash Equivalents at End of Year	\$300,208
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i></b>	
Operating Loss	(\$60,987)
<i>Changes in Assets and Liabilities:</i>	
Increase in Claims Payable	6,195
<i>Net Cash Provided by Operating Activities</i>	(\$54,792)

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



**Gallia County Local School District**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

---

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,475</u>	<u>\$ 92,704</u>
LIABILITIES:		
Undistributed Monies	<u>-</u>	<u>\$ 92,704</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>\$ 6,475</u>	

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

**Gallia County Local School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

---

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 5,825
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>4,400</u>
Change in Net Assets	1,425
Net Assets Beginning of Year - Restated, See Note 3	<u>5,050</u>
Net Assets End of Year	<u>\$ 6,475</u>

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

**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 112 non-certificated, 186 teaching personnel, and 14 administrative employees providing education to approximately 2,320 students.

**Reporting Entity**

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

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

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

- Parent Teacher Organization
- Booster Club

The School District is associated with five organizations, four of which are defined as jointly governed organizations and one is a group purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Consortium, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Southeastern Ohio Special Education Regional Resource Council, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

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

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its governmental activities 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. Proprietary and fiduciary funds are reported by type.

***B. Fund Accounting***

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

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

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

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

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

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

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

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

**Internal Service Fund** The Internal Service Fund is used to account for medical, life, and dental benefits provided to employees.

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

**C. Measurement Focus**

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

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

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

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

**D. Basis of Accounting**

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Budgetary Process***

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

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.

---

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

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

***F. Cash and Cash Equivalents***

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

During fiscal year 2006, investments were limited to a NOW interest bearing account, certificates of deposit, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corp. Notes, and Federal National Mortgage Association Notes.

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

***G. Capital Assets***

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

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

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

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

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

***H. Interfund Activity***

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

***I. Compensated Absences***

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

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

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

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

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

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

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

***K. Fund Balance Reserves***

The School District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes, 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.



**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

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

***L. Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***M. Net Assets***

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

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

The government-wide statement of net assets reports \$3,902,224 restricted net assets, none of which are restricted by enabling legislation.

***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 20 for additional information regarding set-asides.

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

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

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

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

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

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the basic financial statements.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET ASSETS**

For the fiscal year 2006, the School District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

Restatements were made to fund balance/net assets as previously stated due to the reclassification of the Trust fund from Special Revenue to a Private Purpose Trust and the reclassification of major funds. These reclassifications had the following effect on fund balances/net assets:

	General	Permanent Improvement	Bond Retirement	Other Governmenta l	Total
Fund Balances, June 30, 2005	\$1,566,356	\$1,720,342	\$0	\$1,118,585	\$4,405,283
Reclassification of Major Funds	0	(1,720,342)	687,850	1,032,492	0
Reclassification of Fund	0	0	0	(5,050)	(5,050)
Restated Fund Balances, June 30, 2005	<u>\$1,566,356</u>	<u>\$0</u>	<u>\$687,850</u>	<u>\$2,146,027</u>	<u>\$4,400,233</u>

	Governmenta l Activities	Private Purpose Trust
Net Assets, June 30, 2005	\$13,330,289	\$0
Reclassification of Fund	(5,050)	5,050
Restated Net Assets, June 30, 2005	<u>\$13,325,239</u>	<u>\$5,050</u>

**NOTE 4 – ACCOUNTABILITY**

**A. Accountability**

At June 30, 2006 the Lunchroom, DPIA, Ohio Reads Volunteer, Team Grant, Title VI-B, Early Childhood Teacher Quality, Goals 2000, and the Drug Free Special Revenue Funds had a deficit fund balances of \$151,024, \$692, \$10,903, \$415, \$24,137, \$16,943, \$12,501 and \$48, respectively, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis), presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (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	
General Fund	
GAAP Basis	(\$158,742)
Revenue Accruals	56,283
Expenditure Accrual	(87,758)
Encumbrances	<u>(225,106)</u>
Budget Basis	<u><u>(\$415,323)</u></u>

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

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

9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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

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

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

**Deposits:** Custodial credit risk is the risk that an event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$8,212,748 the District's bank balance of \$8,504,748 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least on hundred five percent of the deposits being secured.

As of June 30, 2006, the District had the following investments and maturities.

Investment Type	Fair Value	Less than One	
		Year	1-2 Years
FNMA Notes	\$ 7,692,510	\$ 7,692,510	\$ -
FHLB Notes	8,720,478	-	8,720,378
FHLMC Notes	27,150,960	27,150,960	-
	<u>\$ 43,563,948</u>	<u>\$ 34,843,470</u>	<u>\$ 8,720,378</u>

**Interest Rate Risk –** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposures to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

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

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in FNMA, FHLB, and FHLMC were each rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Concentration of Credit Risk.* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA Notes	7,692,510	17.66%
FHLB Notes	8,720,478	20.02%
FHLMC Notes	27,150,960	62.32%
	<u>\$ 43,563,948</u>	<u>100.00%</u>

Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are held in the name of the School District.

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the local school district. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2006 taxes were collected for Gallia County are:

	<u>2005 Second-Half Collections</u>		<u>2006 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$176,338,170	53.25%	\$223,495,220	59.01%
Public Utility	136,224,290	41.14%	142,244,870	37.56%
Tangible Personal Property	<u>18,601,344</u>	<u>5.61%</u>	<u>12,998,740</u>	<u>3.43%</u>
Total Assessed Value	<u>\$331,163,804</u>	<u>100.00%</u>	<u>\$378,738,830</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$21.35		\$28.75	

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, 2006**

---

**NOTE 7 - 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, 2006, are available to finance fiscal year 2006 operations.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2006. 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, 2006 was \$143,606 in the General Fund, and \$7,180 in the Permanent Improvement Nonmajor Capital Projects Fund recognized as revenue.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2006 consisted of property taxes, accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Non-Major Special Revenue Funds:</i>	
Title I	\$262,195
Drug Free	23,928
Early Intervention	<u>33,896</u>
Total Intergovernmental Receivables	<u>\$320,019</u>

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/2005	Additions	Deductions	Balance 6/30/2006
<b>Capital Assets:</b>				
<b>Capital Assets not being depreciated:</b>				
Land	\$363,710	\$357,120	\$0	\$720,830
Construction in Progress	0	985,297	0	985,297
<b>Total Capital Assets not being Depreciated</b>	<b>363,710</b>	<b>1,342,417</b>	<b>0</b>	<b>1,706,127</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	1,167,412	0	0	1,167,412
Buildings and Improvements	15,682,094	0	0	15,682,094
Furniture and Equipment	990,118	39,364	(67,790)	961,692
Infrastructure	197,170	0	0	197,170
Library and Textbooks	1,138,235	0	0	1,138,235
Vehicles	2,947,687	125,060	0	3,072,747
<b>Total Capital Assets being Depreciated</b>	<b>22,122,716</b>	<b>164,424</b>	<b>(67,790)</b>	<b>22,219,350</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(1,167,412)	0	0	(1,167,412)
Buildings and Improvements	(7,284,515)	(312,624)	0	(7,597,139)
Furniture and Equipment	(807,540)	(34,455)	58,592	(783,403)
Infrastructure	(98,861)	(3,943)	0	(102,804)
Library and Textbooks	(1,084,678)	(21,423)	0	(1,106,101)
Vehicles	(2,501,916)	(102,363)	0	(2,604,279)
<b>Total Accumulated Depreciation</b>	<b>(12,944,922)</b>	<b>(474,808)</b> **	<b>58,592</b>	<b>(13,361,138)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>9,177,794</b>	<b>(310,384)</b>	<b>(9,198)</b>	<b>8,858,212</b>
<b>Capital Assets, Net</b>	<b>\$9,541,504</b>	<b>\$1,032,033</b>	<b>(\$9,198)</b>	<b>\$10,564,339</b>

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

<b>Instruction:</b>	
Regular	\$336,827
Special	16,326
<b>Support Services:</b>	
Instructional Staff	341
Administration	11,008
Operation and Maintenance of Plant	655
Pupil Transportation	102,794
Operation of Non-Instructional Services	1,911
Extracurricular Activities	4,951
<b>Total Depreciation Expense</b>	<b><u>\$474,808</u></b>



**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio Schools Risk Sharing Authority (OSRSA), a non-profit, public entity risk sharing pool. OSRSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into an agreement with the OSRSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSRSA (See Note 21). The types and amount of coverage provided by the Ohio School Risk Sharing Authority during fiscal year 2006 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

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

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school districts and educational service centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Funds. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts and educational service centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

Dental coverage was provided through Medical Mutual. Premiums for the dental coverage were \$43.71 monthly for family and \$20.06 for single coverage.

The School District provides health and major medical and prescription drug insurance for all eligible employees through United Healthcare. The School District pays monthly premiums of up to \$1,219.17 for family coverage and up to \$443.40 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The District provides excess coverage for claims in excess of contract amounts through their self insurance Internal Service Fund. Additional information regarding the handling of these excess claims is provided on the following page.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

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

An administrative charge is paid monthly to Oak Hill Financial Administrators. The claims liability of \$12,293 reported in the Internal Service Fund at June 30, 2006 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the fiscal year follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claim Payments</u>	<u>Balance at</u> <u>End of Year</u>
2005	7,402	35,143	36,447	6,098
2006	6,098	36,177	29,982	12,293

**NOTE 11 -DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. For fiscal year 2006, 10.58% was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$299,620, \$347,745, and \$173,649, respectively; 54% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$139,311 represents the unpaid contribution for fiscal year 2006.

**State Teachers Retirement System**

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

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

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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

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

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

Benefits are increased annually by 3% of the original base amount.

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

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

Plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. For fiscal year 2006, 13% was the portion allocated to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,077,982, \$1,320,278, and \$919,357, respectively; 82% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$230,767 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

***K. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, two members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, 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 \$98,611 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the most recent year available, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

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

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In additions, 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's STRS salaries. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$148,159.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. As of June 30, 2006 the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. SERS has approximately 59,492 participants currently receiving health care benefits.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: 39 days maximum for one to nine years of service; 44 days maximum for 10 to 19 years of service; and 49 days maximum for 20 or more years of service. Classified employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments as follows: 37 days maximum for one to nine years of service; 42 days maximum for 10 to 19 years of service; and 47 days maximum for 20 or more years of service.

**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 \$1,219.17 for family coverage and up to \$443.40 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.

Dental coverage was provided through Medical Mutual, Inc. Premiums for the dental coverage were \$43.71 monthly for family and \$20.06 for single coverage.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

**NOTE 14 – CAPITAL LEASES – LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for two copiers. Each lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Future minimum lease payments through 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2007	<u>\$439</u>
Total	439
Less: Amount Representing Interest	<u>(4)</u>
Present Value of Net Minimum Lease Payments	<u>\$435</u>

The equipment was originally capitalized in the amount of \$15,755. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2006 totaled \$5,440 in the governmental funds.

Property Under Capital Lease	\$15,755
Less: Accumulated Depreciation	<u>4,727</u>
Total June 30, 2006	<u>\$11,028</u>

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term liabilities during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Payments Due in One Year
<b>General Obligation Bonds 3.75%</b>	\$0	\$43,000,000	\$0	\$43,000,000	\$170,000
Premium	0	1,330,073	51,157	1,278,916	0
<b>Energy Conservation Notes:</b>					
5.00% - 1996 - \$240,000	30,000	0	30,000	0	0
5.80% - 1997 - \$270,000	35,000	0	35,000	0	0
<b>Total Long-Term Bonds and Notes</b>	<b>65,000</b>	<b>44,330,073</b>	<b>116,157</b>	<b>44,278,916</b>	<b>170,000</b>
<b>Capital Lease Obligations:</b>					
8.039% - 2003 - \$7,000	2,923	0	2,489	435	435
1.1139% - 2004 - \$8,755	2,951	0	2,951	0	0
<b>Total Capital Lease Obligations</b>	<b>5,874</b>	<b>0</b>	<b>5,440</b>	<b>435</b>	<b>435</b>
<b>Compensated Absences</b>	<b>1,523,081</b>	<b>1,616,900</b>	<b>1,523,081</b>	<b>1,616,900</b>	<b>29,012</b>
<b>Total Long-Term Obligations</b>	<b>\$1,593,955</b>	<b>\$45,946,973</b>	<b>\$1,644,678</b>	<b>\$45,896,251</b>	<b>\$199,447</b>

The District issued \$43,000,000 in notes during fiscal year 2006. \$28,000,000 in notes were issued on December 28, 2005 at a 4.5% interest rate and matured on June 15, 2006. \$15,000,000 in notes were issued on January 24, 2006 at a 4.5% interest rate and matured on June 15, 2006. These notes were paid in full during the current fiscal year with the issuance of the general obligation bonds. Due to the long term nature of these notes, the proceeds from the sale of notes and the principal payment are shown in the fund financial statements.

The General Obligation Bonds were issued in 2006 in the amount of \$43,000,000. These bonds were issued for the purpose of constructing and renovating school buildings. The debt will mature in 2027.

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 \$0. The District has approximately \$10,415,447 of debt in excess of the nice percent limitation that has been approved based upon the District's "special needs" status. The District has an unvoted debt margin of \$378,738 at June 30, 2006. Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2006, are as follows:

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	170,000	1,397,239	1,567,239
2008	550,000	1,997,633	2,547,633
2009	570,000	1,977,008	2,547,008
2010	635,000	1,955,633	2,590,633
2011	685,000	1,931,820	2,616,820
2012-2016	4,565,000	9,203,701	13,768,701
2017-2021	6,950,000	8,048,449	14,998,449
2022-2026	9,065,000	6,281,464	15,346,464
2027-2031	11,460,000	3,862,000	15,322,000
2032-2034	8,350,000	848,500	9,198,500
Total	<u>\$43,000,000</u>	<u>\$37,503,447</u>	<u>\$80,503,447</u>

**NOTE 16 - 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 2006, the Gallia County Local School District paid \$53,183 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 2006, the School District made \$210,022 in contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Lily Blevins, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.



**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

---

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

D. **SOUTHEASTERN OHIO SPECIAL EDUCATION REGIONAL RESOURCE COUNCIL**

The Southeastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by an participating school district is limited to its representation on the Board.

The Gallia County Local School District's superintendent is on the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 320 ½ East Main Street, Pomeroy, Ohio 45769.

**NOTE 17 - INSURANCE PURCHASING POOL**

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

**NOTE 18 - 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, 2006.

B. **Litigation**

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

**NOTE 19- 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.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

**NOTE 20 - STATUTORY RESERVES**

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

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2005	\$221,089	\$499,647
Current year set-aside requirement	357,612	357,612
Qualifying disbursements	(432,749)	(581,355)
Set-aside Reserve Balance as of June 30, 2006	\$145,952	\$275,904

**NOTE 21 – 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.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

**NOTE 22 – INTERFUND ACTIVITY**

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2007 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General fund	\$293,849	0
Nonmajor Special Revenue Funds		
Lunchroom Fund	0	82,660
Title VI-B	0	118,967
Ohio Reads	0	10,894
Title I	0	11,005
Drug Free	0	23,928
Early Intervention	0	33,895
Technology	<u>0</u>	<u>12,500</u>
 Total Nonmajor Special Revenue Funds	 <u>0</u>	 <u>293,849</u>
 Total Interfund Receivables/Payables	 <u><u>\$293,849</u></u>	 <u><u>\$293,849</u></u>

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

**Interfund Transfers**

Transfers made during the year ended June 30, 2006, were as follows:

<u>Fund:</u>	<u>Transfer From:</u>	<u>Transfer To:</u>
<i>General Fund</i>	\$61,927	\$0
<i>Non-Major Special Revenue Fund</i>		
PSSF	<u>0</u>	<u>500</u>
Internal Servie Fund	<u>0</u>	<u>61,427</u>
Total All Funds	<u><u>\$ 61,927</u></u>	<u><u>\$61,927</u></u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Gallia County Local School District  
Gallia County

Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
Food Distribution	NA	10.550	\$ -	\$ 36,846	\$ -	\$ 36,846
<i>Nutrition Cluster:</i>						
School Breakfast Program	PU	10.553	208,115	-	208,115	-
National School Lunch Program	LLP4	10.555	473,315	-	473,315	-
Total Nutrition Cluster			681,430	-	681,430	-
<b>Total United States Department of Agriculture</b>			681,430	36,846	681,430	36,846
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education-Grants to States	6BSF	84.027	572,911	-	592,866	-
Special Education-Preschool	PGS1	84.173	26,347	-	24,675	-
Total Special Education Cluster			599,258	-	617,541	-
Title I Grants to Local Education Agencies	CIS1	84.010	868,684	-	986,995	-
Safe & Drug Free Schools and Communities-State Grants	DRS1	84.186	24,768	-	24,768	-
School Grant for Innovative Programs	C2S1	84.298	8,291	-	8,291	-
Education Technology State Grants	TJS1	84.318	18,384	-	31,147	-
Comprehensive School Reform Demonstration	RFS2	84.332	37,087	-	43,567	-
Rural Education (REAP)	RUS1	84.358	64,432	-	76,657	-
Improving Teacher Quality State Grants	TRS1	84.367	364,203	-	287,293	-
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>						
Guiding Children to Live Successfully	DGSP	84.186A	90,000	-	90,000	-
<b>Total United States Department of Education</b>			2,075,107	-	2,166,259	-
<b>U.S. Department of Health &amp; Human Services</b>						
<i>Passed through the State Department of MRDD</i>						
State Children's Insurance Program	N/A	93.767	630	-	630	-
Medical Assistance Program	N/A	93.778	8,585	-	8,585	-
<b>Total U. S. Department of Health &amp; Human Services</b>			9,215	-	9,215	-
<b>Total Federal Financial Assistance</b>			\$ 2,765,752	\$ 36,846	\$ 2,856,904	\$ 36,846

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**  
*Notes to Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2006*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -FOOD DISTRIBUTIONS**

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 commodities received.

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

# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

---

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia County Local School District (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 19, 2007, wherein we noted the School District implemented GASB Statements Number 42, 46 and 47. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

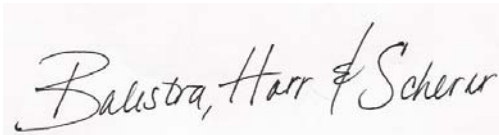
In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated January 19, 2007.

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

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

Balestra, Harr & Scherer CPAs, Inc.  
January 19, 2007

# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

---

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

### **Compliance**

We have audited the compliance of Gallia County Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The School Districts major federal programs are identified in the summary of auditors 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 Districts management. Our responsibility is to express an opinion on the School Districts compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Districts compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Districts 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 program for the year ended June 30, 2006.

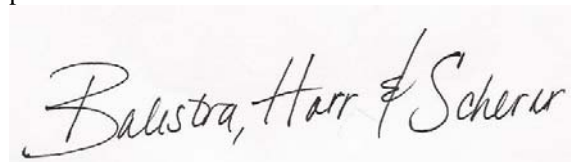


### **Internal Control Over Compliance**

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 Districts internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

Balestra, Harr & Scherer CPAs, Inc.  
January 19, 2007

**GALLIA COUNTY LOCAL SCHOOL DISTRICT  
GALLIA COUNTY  
JUNE 30, 2006**

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

<b>1. SUMMARY OF AUDITORS RESULTS</b>		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010- Title I
(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  
JUNE 30, 2006**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	None

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





**Mary Taylor, CPA**  
Auditor of State

**GALLIA COUNTY LOCAL SCHOOL DISTRICT**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 5, 2007**