



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types.....	8
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Proprietary Fund Type and Non-Expendable Trust Fund.....	11
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Non-Expendable Trust Fund.....	12
Combined Statement of Cash Flows - Proprietary Fund Type and Non-Expendable Trust Fund.....	14
Notes to the General Purposes Financial Statements.....	15
Schedule of Federal Awards Receipts and Expenditures.....	37
Notes to the Schedule of Federal Awards Receipts and Expenditures	38
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	41
Schedule of Findings - <i>OMB Circular A-133 § .505</i>	43
Schedule of Prior Audit Findings - <i>OMB Circular A-133 §.315(b)</i>	49

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gallia County Local School District, Gallia County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type 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 December 11, 2002, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 11, 2002

This page intentionally left blank.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$928,392	\$840,808	\$799,122	\$1,059,923
Receivables:				
Property and Other Local Taxes	7,395,378	0	731,200	323,000
Intergovernmental	0	398,365	0	0
Interfund Receivable	5,144	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	35,681	0	0	0
Prepaid Items	16,771	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	350,989	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets	\$8,732,355	\$1,239,173	\$1,530,322	\$1,382,923
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$40,823	\$8,554	\$0	\$0
Accrued Wages and Benefits	1,171,773	193,731	0	0
Compensated Absences Payable	4,027	5,329	0	0
Interfund Payable	0	5,144	0	0
Intergovernmental Payable	267,315	43,004	0	0
Deferred Revenue	7,302,411	284,723	731,200	323,000
Due to Students	0	0	0	0
Undistributed Monies	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	8,786,349	540,485	731,200	323,000
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	71,540	101,956	0	7,568
Reserved for Inventory	35,681	0	0	0
Reserved for Endowment	0	0	0	0
Reserved for Textbooks & Materials	236,251	0	0	0
Reserved for Property Taxes	92,967	0	0	0
Unreserved, Undesignated (Deficit)	(490,433)	596,732	799,122	1,052,355
Total Fund Equity (Deficit) and Other Credits	(53,994)	698,688	799,122	1,059,923
Total Liabilities, Fund Equity and Other Credits	\$8,732,355	\$1,239,173	\$1,530,322	\$1,382,923

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$10,181	\$196,436	\$0	\$0	\$3,834,862
0	0	0	0	8,449,578
0	0	0	0	398,365
0	0	0	0	5,144
8,388	0	0	0	8,388
0	0	0	0	35,681
0	0	0	0	16,771
0	0	0	0	350,989
68,290	0	26,072,113	0	26,140,403
0	0	0	799,122	799,122
0	0	0	2,292,810	2,292,810
<u>\$86,859</u>	<u>\$196,436</u>	<u>\$26,072,113</u>	<u>\$3,091,932</u>	<u>\$42,332,113</u>
\$0	\$0	\$0	\$0	\$49,377
44,339	0	0	0	1,409,843
27,532	0	0	973,292	1,010,180
0	0	0	0	5,144
27,041	0	0	118,640	456,000
0	0	0	0	8,641,334
0	92,973	0	0	92,973
0	1,458	0	0	1,458
0	0	0	290,000	290,000
0	0	0	1,710,000	1,710,000
<u>98,912</u>	<u>94,431</u>	<u>0</u>	<u>3,091,932</u>	<u>13,666,309</u>
0	0	26,072,113	0	26,072,113
489,489	0	0	0	489,489
(501,542)	0	0	0	(501,542)
0	0	0	0	181,064
0	0	0	0	35,681
0	102,005	0	0	102,005
0	0	0	0	236,251
0	0	0	0	92,967
0	0	0	0	1,957,776
<u>(12,053)</u>	<u>102,005</u>	<u>26,072,113</u>	<u>0</u>	<u>28,665,804</u>
<u>\$86,859</u>	<u>\$196,436</u>	<u>\$26,072,113</u>	<u>\$3,091,932</u>	<u>\$42,332,113</u>

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY, OHIO

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property and Other Local Taxes	\$6,752,098	\$0	\$796,424	\$334,364	\$7,882,886
Intergovernmental	8,617,665	3,180,454	179,265	80,626	12,058,010
Interest	161,537	0	0	0	161,537
Tuition and Fees	63,340	0	0	0	63,340
Extracurricular Activities	0	227,783	0	0	227,783
Customer Services	6,826	0	0	0	6,826
Miscellaneous	109,356	5,000	0	0	114,356
Total Revenues	15,710,822	3,413,237	975,689	414,990	20,514,738
<u>Expenditures:</u>					
Current:					
Instruction					
Regular	6,685,344	1,113,872	0	0	7,799,216
Special	1,594,761	1,120,837	0	0	2,715,598
Vocational	433,586	0	0	0	433,586
Other	535,146	363	0	0	535,509
Support Services					
Pupils	379,485	341,456	0	3,000	723,941
Instructional Staff	478,366	501,218	0	5,742	985,326
Board of Education	91,905	0	0	0	91,905
Administration	1,045,666	56,995	0	0	1,102,661
Fiscal	372,644	28,205	24,834	10,540	436,223
Business	55,325	0	0	0	55,325
Operation and Maintenance of Plant	1,379,836	40,644	0	0	1,420,480
Pupil Transportation	1,673,330	11,957	0	0	1,685,287
Central	105,077	2,325	0	475	107,877
Extracurricular Activities	237,823	217,492	0	0	455,315
Capital Outlay	0	0	0	912	912
Debt Service					
Principal Retirement	0	0	670,000	0	670,000
Interest and Fiscal Charges	0	0	167,501	0	167,501
Total Expenditures	15,068,294	3,435,364	862,335	20,669	19,386,662
Excess of Revenues Over (Under) Expenditures	642,528	(22,127)	113,354	394,321	1,128,076
<u>Other Financing Sources (Uses):</u>					
Proceeds from the Sale of Fixed Assets	256	0	0	0	256
Total Other Financing Sources (Uses)	256	0	0	0	256
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	642,784	(22,127)	113,354	394,321	1,128,332
Fund Balances (Deficit) at Beginning of Year	(704,105)	720,815	685,768	665,602	1,368,080
Increase (Decrease) in Reserve for Inventory	7,327	0	0	0	7,327
Fund Balances (Deficit) at End of Year	(\$53,994)	\$698,688	\$799,122	\$1,059,923	\$2,503,739

See accompanying notes to the general purpose financial statements.

This Page Intentionally Left Blank.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY, OHIO

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Local Taxes	\$7,161,050	\$6,739,721	(\$421,329)
Intergovernmental	7,868,342	8,617,665	749,323
Interest	0	161,537	161,537
Tuition and Fees	0	63,340	63,340
Extracurricular Activities	0	0	0
Customer Services	0	6,826	6,826
Miscellaneous	104,873	109,356	4,483
Total Revenues	15,134,265	15,698,445	564,180
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	6,422,723	6,749,048	(326,325)
Special	1,550,443	1,589,258	(38,815)
Vocational	463,328	435,404	27,924
Other	831,575	535,733	295,842
Support Services:			
Pupils	523,034	391,390	131,644
Instructional Staff	579,782	512,121	67,661
Board of Education	63,645	87,107	(23,462)
Administration	1,178,831	1,099,606	79,225
Fiscal	365,162	373,766	(8,604)
Business	129,941	64,736	65,205
Operation and Maintenance of Plant	1,358,136	1,428,917	(70,781)
Pupil Transportation	1,862,146	1,702,424	159,722
Central	89,624	113,082	(23,458)
Extracurricular Activities	226,032	237,087	(11,055)
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest	0	0	0
Total Expenditures	15,644,402	15,319,679	324,723
Excess of Revenues Over (Under) Expenditures	(510,137)	378,766	888,903
<u>Other Financing Sources (Uses):</u>			
Other Financing Uses	0	0	0
Advances In	0	15,223	15,223
Advances Out	(5,144)	(5,144)	0
Proceeds from Sale of Fixed Assets	0	256	256
Total Other Financing Sources (Uses)	(5,144)	10,335	15,479
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(515,281)	389,101	904,382
Fund Balances at Beginning of Year	473,722	473,722	0
Prior Year Encumbrances Appropriated	234,660	234,660	0
Fund Balances at End of Year	\$193,101	\$1,097,483	\$904,382

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,708,253	\$803,974	(\$904,279)
294,765	3,102,044	2,807,279	0	179,265	179,265
0	0	0	0	0	0
0	0	0	0	0	0
224,657	227,783	3,126	0	0	0
0	0	0	0	0	0
0	5,000	5,000	0	0	0
<u>519,422</u>	<u>3,334,827</u>	<u>2,815,405</u>	<u>1,708,253</u>	<u>983,239</u>	<u>(725,014)</u>
251,190	1,144,991	(893,801)	0	0	0
529,849	1,160,663	(630,814)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
238,146	354,425	(116,279)	0	0	0
105,350	518,844	(413,494)	0	0	0
0	0	0	0	0	0
17,625	59,021	(41,396)	0	0	0
2,311	28,205	(25,894)	27,635	24,833	2,802
0	0	0	0	0	0
0	40,644	(40,644)	0	0	0
9,000	13,358	(4,358)	0	0	0
13,317	6,693	6,624	0	0	0
15,872	234,236	(218,364)	0	0	0
0	0	0	0	0	0
0	0	0	1,717,019	670,000	1,047,019
0	0	0	641,816	167,501	474,315
<u>1,182,660</u>	<u>3,561,080</u>	<u>(2,378,420)</u>	<u>2,386,470</u>	<u>862,334</u>	<u>1,524,136</u>
<u>(663,238)</u>	<u>(226,253)</u>	<u>436,985</u>	<u>(678,217)</u>	<u>120,905</u>	<u>799,122</u>
(55,889)	0	55,889	0	0	0
0	5,144	5,144	0	0	0
(6,150)	(15,223)	(9,073)	0	0	0
0	0	0	0	0	0
<u>(62,039)</u>	<u>(10,079)</u>	<u>51,960</u>	<u>0</u>	<u>0</u>	<u>0</u>
(725,277)	(236,332)	488,945	(678,217)	120,905	799,122
855,862	855,862	0	677,217	677,217	0
111,619	111,619	0	1,000	1,000	0
<u>\$242,204</u>	<u>\$731,149</u>	<u>\$488,945</u>	<u>\$0</u>	<u>\$799,122</u>	<u>\$799,122</u>

(Continued)

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY, OHIO

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Capital Projects Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Local Taxes	\$398,766	\$334,364	(\$64,402)	\$9,268,069	\$7,878,059	(\$1,390,010)
Intergovernmental	11,970	80,626	68,656	8,175,077	11,979,600	3,804,523
Interest	0	0	0	0	161,537	161,537
Tuition and Fees	0	0	0	0	63,340	63,340
Extracurricular Activities	0	0	0	224,657	227,783	3,126
Customer Services	0	0	0	0	6,826	6,826
Miscellaneous	0	20,999	20,999	104,873	135,355	30,482
Total Revenues	410,736	435,989	25,253	17,772,676	20,452,500	2,679,824
Expenditures:						
Current:						
Instruction						
Regular	110,000	0	110,000	6,783,913	7,894,039	(1,110,126)
Special	0	0	0	2,080,292	2,749,921	(669,629)
Vocational	1,596	8,718	(7,122)	464,924	444,122	20,802
Other	0	0	0	831,575	535,733	295,842
Support Services						
Pupils	6,000	3,000	3,000	767,180	748,815	18,365
Instructional Staff	5,743	5,743	0	690,875	1,036,708	(345,833)
Board of Education	0	0	0	63,645	87,107	(23,462)
Administration	10,485	0	10,485	1,206,941	1,158,627	48,314
Fiscal	36,500	10,541	25,959	431,608	437,345	(5,737)
Business	0	0	0	129,941	64,736	65,205
Operation and Maintenance of Plant	20,000	0	20,000	1,378,136	1,469,561	(91,425)
Pupil Transportation	20,000	0	20,000	1,891,146	1,715,782	175,364
Central	70,000	475	69,525	172,941	120,250	52,691
Extracurricular Activities	0	0	0	241,904	471,323	(229,419)
Capital Outlay	756,024	12,010	744,014	756,024	12,010	744,014
Debt Service:						
Principal Retirement	0	0	0	1,717,019	670,000	1,047,019
Interest	0	0	0	641,816	167,501	474,315
Total Expenditures	1,036,348	40,487	995,861	20,249,880	19,783,580	466,300
Excess of Revenues Over (Under) Expenditures	(625,612)	395,502	1,021,114	(2,477,204)	668,920	3,146,124
Other Financing Sources (Uses):						
Other Financing Uses	(31,240)	0	31,240	(87,129)	0	87,129
Advances In	0	0	0	0	20,367	20,367
Advances Out	0	0	0	(11,294)	(20,367)	(9,073)
Proceeds from Sale of Fixed Assets	0	0	0	0	256	256
Total Other Financing Sources (Uses)	(31,240)	0	31,240	(98,423)	256	98,679
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(656,852)	395,502	1,052,354	(2,575,627)	669,176	3,244,803
Fund Balances at Beginning of Year	642,292	642,292	0	2,649,093	2,649,093	0
Prior Year Encumbrances Appropriated	14,560	14,560	0	361,839	361,839	0
Fund Balances at End of Year	\$0	\$1,052,354	\$1,052,354	\$435,305	3,680,108	\$3,244,803

See accompanying notes to the general purpose financial statements.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY, OHIO

Combined Statement of Revenues
Expenses, and Changes in Fund Equity
Proprietary Fund Type and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
<u>Operating Revenues:</u>			
Sales	\$244,008	\$0	\$244,008
Other Operating Revenue	748	0	748
Interest	0	4,544	4,544
Contributions and Donations	0	3,500	3,500
Total Operating Revenues	<u>244,756</u>	<u>8,044</u>	<u>252,800</u>
<u>Operating Expenses:</u>			
Salaries	319,921	0	319,921
Fringe Benefits	151,436	0	151,436
Purchased Services	0	5,756	5,756
Materials and Supplies	49,945	2,803	52,748
Cost of Sales	380,685	0	380,685
Depreciation	13,029	0	13,029
Total Operating Expenses	<u>915,016</u>	<u>8,559</u>	<u>923,575</u>
Operating Income (Loss)	<u>(670,260)</u>	<u>(515)</u>	<u>(670,775)</u>
<u>Non-Operating Revenues (Expenses):</u>			
Federal Donated Commodities	62,801	0	62,801
Loss on Disposal of Fixed Assets	(302)	0	(302)
Federal and State Subsidies	524,999	0	524,999
Total Non-Operating Revenues (Expenses)	<u>587,498</u>	<u>0</u>	<u>587,498</u>
Net Income (Loss)	<u>(82,762)</u>	<u>(515)</u>	<u>(83,277)</u>
Retained Earnings/Fund Balance (Deficit) at Beginning of Year - as Restated Note 20	<u>(418,780)</u>	<u>102,520</u>	<u>(316,260)</u>
Retained Earnings/Fund Balance at End of Year	<u>(501,542)</u>	<u>102,005</u>	<u>(399,537)</u>
Contributed Capital at End of Year	<u>489,489</u>	<u>0</u>	<u>489,489</u>
Total Fund Equity at End of Year	<u>(\$12,053)</u>	<u>\$102,005</u>	<u>\$89,952</u>

See accompanying notes to the general purpose financial statements.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY, OHIO

Combined Statement of Revenues, Expenses, and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$240,720	\$244,008	\$3,288
Interest	0	0	0
Other Revenues	0	748	748
Contributions and Donations	0	0	0
Total Revenues	<u>240,720</u>	<u>244,756</u>	<u>4,036</u>
<u>Expenses:</u>			
Salaries	335,860	327,162	8,698
Fringe Benefits	136,665	146,824	(10,159)
Purchased Services	10,071	17,771	(7,700)
Materials and Supplies	310,000	374,266	(64,266)
Capital Outlay	269	0	269
Other Expenses	0	0	0
Total Expenditures	<u>792,865</u>	<u>866,023</u>	<u>(73,158)</u>
Net Income (Loss)	(552,145)	(621,267)	(69,122)
<u>Non-Operating Revenues and Expenses:</u>			
Federal and State Subsidies	446,765	524,999	78,234
Interest	1,932	0	(1,932)
Total Non-Operating Revenues (Expenses)	<u>448,697</u>	<u>524,999</u>	<u>76,302</u>
Excess of Revenues Over (Under) Expenses	(103,448)	(96,268)	7,180
Operating Transfers-Out	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Transfers	(103,448)	(96,268)	7,180
Fund Equity at Beginning of Year	67,666	67,666	0
Prior Year Encumbrances Appropriated	<u>35,782</u>	<u>35,782</u>	<u>0</u>
Fund Equity at End of Year	<u>\$0</u>	<u>\$7,180</u>	<u>\$7,180</u>

See accompanying notes to the general purpose financial statements.

Non-Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$240,720	\$244,008	\$3,288
4,454	4,544	90	4,454	4,544	90
0	0	0	0	748	748
2,200	3,500	1,300	2,200	3,500	1,300
<u>6,654</u>	<u>8,044</u>	<u>1,390</u>	<u>247,374</u>	<u>252,800</u>	<u>5,426</u>
0	0	0	335,860	327,162	8,698
0	0	0	136,665	146,824	(10,159)
0	0	0	10,071	17,771	(7,700)
2,836	2,805	31	312,836	377,071	(64,235)
1,435	5,700	(4,265)	1,704	5,700	(3,996)
5,351	2,206	3,145	5,351	2,206	3,145
<u>9,622</u>	<u>10,711</u>	<u>(1,089)</u>	<u>802,487</u>	<u>876,734</u>	<u>(74,247)</u>
(2,968)	(2,667)	301	(555,113)	(623,934)	(68,821)
0	0	0	446,765	524,999	78,234
0	0	0	1,932	0	(1,932)
<u>0</u>	<u>0</u>	<u>0</u>	<u>448,697</u>	<u>524,999</u>	<u>76,302</u>
(2,968)	(2,667)	301	(106,416)	(98,935)	7,481
<u>(92,900)</u>	<u>0</u>	<u>92,900</u>	<u>(92,900)</u>	<u>0</u>	<u>92,900</u>
(95,868)	(2,667)	93,201	(199,316)	(98,935)	100,381
99,372	99,372	0	167,038	167,038	0
<u>3,150</u>	<u>3,150</u>	<u>0</u>	<u>38,932</u>	<u>38,932</u>	<u>0</u>
<u>\$6,654</u>	<u>\$99,855</u>	<u>\$93,201</u>	<u>\$6,654</u>	<u>\$107,035</u>	<u>\$100,381</u>

GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY, OHIO

Combined Statement of Cash Flows
Proprietary Fund Type and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals
	<u>Enterprise</u>	Non-Expendable Trust	(Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$244,008	\$0	\$244,008
Cash Received from Contributions & Donations	0	3,500	3,500
Cash Received from Interest	0	4,544	4,544
Cash Received from Other Operating Sources	748		748
Cash Payments to Suppliers for Goods and Services	(389,036)	(8,559)	(397,595)
Cash Payments to Employees for Services	(327,162)	0	(327,162)
Cash Payments for Employee Benefits	<u>(146,824)</u>	<u>0</u>	<u>(146,824)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(618,266)</u>	<u>(515)</u>	<u>(618,781)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Receipts from Capital Grants	<u>524,999</u>	<u>0</u>	<u>524,999</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>524,999</u>	<u>0</u>	<u>524,999</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(93,267)	(515)	(93,782)
Cash and Cash Equivalents at Beginning of Year	<u>103,448</u>	<u>102,520</u>	<u>205,968</u>
Cash and Cash Equivalents at End of Year	<u>\$10,181</u>	<u>\$102,005</u>	<u>\$112,186</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	<u>(\$670,260)</u>	<u>(\$515)</u>	<u>(\$670,775)</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	13,029	0	13,029
Donated Commodities Used During Year	67,226	0	67,226
Changes in Assets and Liabilities:			
Increase in Inventory Held for Resale	(80)	0	(80)
Decrease in Accounts Payable	(25,553)	0	(25,553)
Decrease in Accrued Wages	(1,587)	0	(1,587)
Decrease in Compensated Absences Payable	(5,654)	0	(5,654)
Increase in Intergovernmental Payable	<u>4,613</u>	<u>0</u>	<u>4,613</u>
Total Adjustments	<u>51,994</u>	<u>0</u>	<u>51,994</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$618,266)</u>	<u>(\$515)</u>	<u>(\$618,781)</u>
Cash and Cash Equivalents - All Fiduciary Funds		\$196,436	
Cash and Cash Equivalents - Agency Funds		<u>94,431</u>	
Cash and Cash Equivalents - Non-Expendable Trust Fund		<u>\$102,005</u>	

See accompanying notes to the general purpose financial statements.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

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 119 non-certificated, 189 teaching personnel, and 11 administrative employees providing education to approximately 2,626 students.

Reporting Entity

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

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

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

- C Parent Teacher Organization
- C Booster Club

The School District is associated with five organizations, four of which are defined as jointly governed organizations and one is a group purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Southeastern Ohio Special Education Regional Resource Council, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gallia County Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary 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 - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories - governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the Local School District are financed. The acquisition, use and balances of the Board's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (continued)

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include a non-expendable trust fund and agency funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

To distinguish fixed assets related to specific funds from those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type and non-expendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6.) Revenue from grants 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 fiscal 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, interest, tuition, grants, student fee 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the non-expendable trust fund. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process for the School District is as follows:

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Gallia County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the Board must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2002.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board at the fund level, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet ordinary expenses. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the proprietary fund type.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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

During fiscal year 2002, investments were limited to a NOW interest bearing account and certificates of deposit.

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of a cash management pool or investments with an original maturity of three months or less at the time they are purchased by the School District would be considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the proprietary fund type are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund type consist of donated food, purchased food, school supplies held for resale, and materials and supplies held for consumption and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation (continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of twenty years. All depreciation is closed to retained earnings.

H. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

I. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-term Obligations (continued)

Under Ohio Law, a debt service fund must be created and used for the payment of all debt principal and interest. Accounting principles generally accepted in the United States of America require that short-term debt liabilities be presented and paid for in the fund receiving the debt proceeds. Long-term liabilities are presented in the general long-term obligation account group, with principal and interest payments on matured general obligation bonds payable being reported in the debt service fund.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, capital improvements, textbooks and materials, and contributions to the nonexpendable trust fund that must be kept intact and property taxes. 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.

M. Contributed Capital

All contributed capital represents resources from other funds provided to the enterprise fund that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

N. 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.

O. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District for the purchase of textbooks and capital acquisition. See Note 19 for additional information regarding set-asides.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002 the General Fund and the Lunchroom Enterprise Fund had deficit fund balances/retained earnings of \$53,994 and \$12,737, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had expenditures plus encumbrances exceed appropriations at June 30, 2002:

<i>General Fund</i>	\$13,959
<i>Special Revenue Funds</i>	
Public School Support	58,503
District Managed Activity	103,973
TAG	1,246
Disadvantaged Pupil Impact Aid	861,314
OneNet	28,000
Ohio Reads	67,999
Miscellaneous State Grants	47,283
Title VI-B	198,514
Title I	539,421
Chapter II	17,899
Drug Free Grant	116,024
Preschool/Handicapped Grants	260,802
Miscellaneous Federal Grants	142,710
<i>Capital Projects Fund</i>	
Vocational Equipment	7,122
<i>Enterprise Fund</i>	
Food Service	73,159

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis), Proprietary Fund Type and Non-Expendable Trust Fund are 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 basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type and non-expendable trust fund (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
6. Principal and interest payments on notes and the corresponding revenues are reported in a debt service fund (budget basis) rather than in the fund that received the proceeds (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$642,784	(\$22,127)	\$113,354	\$394,321
Net Adjustments for Revenue Accruals	2,846	(73,266)	7,550	20,999
Net Adjustments for Expenditure Accruals	(74,631)	(31,276)	1	(12,250)
Adjustment for Encumbrances	(181,898)	(109,663)	0	(7,568)
Budget Basis	\$389,101	(\$236,332)	\$120,905	\$395,502

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

	Enterprise	Non-Expendable Trust
Net Income (Loss)/Excess of Revenues and Operating Transfers Over (Under) Expenses Proprietary Fund Type and Non-Expendable Trust Fund		
GAAP Basis	(\$82,762)	(\$515)
Net Adjustment for Revenue Accruals	(62,801)	0
Net Adjustments for Expense Accruals	46,295	(2)
Adjustment for Encumbrances	(3,000)	(2,150)
Budget Basis	(\$96,268)	(\$2,667)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits: At year-end, the carrying amount of the School District's deposits was \$4,185,851, and the bank balance was \$4,585,253. Of the bank balance:

- (1) \$100,000 was covered by federal depository insurance.
- (2) \$4,485,253 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the local school district. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2002 taxes were collected for Gallia County are:

	2001 Second-Half Collections		2002 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$152,842,950	36.28%	\$145,670,080	51.67%
Public Utility	258,204,170	61.28%	123,369,130	43.76%
Tangible Personal Property	10,279,393	2.44%	12,879,368	4.57%
Total Assessed Value	\$421,326,513	100.00%	\$281,918,578	100.00%
Tax rate per \$1,000 of	\$25.35		\$23.35	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Gallia and Jackson Counties. The Gallia County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. 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, 2002 was \$92,967 in the General Fund is recognized as revenue.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Special Revenue Funds:	
Title I	\$221,859
Title VI-B	22,945
Help Me Grow	85,444
Eisenhower	16,700
Continuous Improvement	28,484
Title VI-R	<u>22,933</u>
 Total Intergovernmental Receivables	 <u><u>\$398,365</u></u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$441,445
Less Accumulated Depreciation	<u>(373,155)</u>
Net Fixed Assets	<u><u>\$68,290</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 06/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 06/30/02</u>
Land and Improvements	\$1,622,843	\$0	\$35,066	\$1,587,777
Buildings and Improvements	15,652,112	0	0	15,652,112
Machinery, Fixtures and Equip.	4,248,803	152,258	80,089	4,320,972
Books	1,076,574	0	0	1,076,574
Infrastructure	197,171	0	0	197,171
Vehicles	<u>3,237,507</u>	<u>0</u>	<u>0</u>	<u>3,237,507</u>
Total General Fixed Assets	<u><u>\$26,035,010</u></u>	<u><u>\$152,258</u></u>	<u><u>\$115,155</u></u>	<u><u>\$26,072,113</u></u>

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

Professional and general liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Vehicles are covered by Nationwide Insurance Company and hold a \$500 deductible for comprehensive and collision. Automobile liability has a \$3,000,000 combined total limit of liability. Property damage is on a replacement cost basis for a blanket amount of \$46,727,500 on buildings, contents, and vehicles. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience if the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school districts and educational service centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts and educational service centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. Provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 -DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan member and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$85,122, \$96,181, and \$303,942, respectively; 32 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$57,903 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$825,830, \$844,014, and \$1,078,356, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$138,494 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective June 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, four members of the School District Board have elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year 2002, and after, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$54,466 during fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS has 102,132 eligible benefit recipients.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund health care benefits, including the surcharge, equaled \$47,582 during the 2002 fiscal year.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance

The School District provides health and major medical and prescription drug insurance for all eligible employees through United Health Care. The School District pays monthly premiums of up to \$829.86 for family coverage and up to \$301.76 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 is provided through Anthem Insurance. Premiums for the dental coverage are \$44.74 monthly for family and \$16.57 for single coverage.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
General Obligation Bonds 7.375%	\$2,280,000	\$0	\$570,000	\$1,710,000
Energy Conservation Notes				
6.25%	105,000	0	50,000	55,000
5.00%	135,000	0	25,000	110,000
5.80%	150,000	0	25,000	125,000
Total Long-Term Bonds and Notes	2,670,000	0	670,000	2,000,000
Pension Obligation	110,564	118,640	110,564	118,640
Compensated Absences	1,069,931	0	96,639	973,292
Total General Long-Term Obligations	\$3,850,495	\$118,640	\$877,203	\$3,091,932

General obligation bonds are paid from property tax receipts of the debt service fund. Energy Conservation Notes will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Compensated absences reported in the "compensated absences payable" account, and the pension obligation, which represents required pension contributions, paid outside the available period, will be paid from the fund which the employee's salaries are paid.

The School District's voted legal debt margin was \$23,372,672 with an unvoted debt margin of \$281,919 at June 30, 2002. Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30	Principal	Interest	Total
2003	\$680,000	\$119,534	\$799,534
2004	625,000	72,816	697,816
2005	630,000	27,789	657,789
2006	65,000	3,530	68,530
Total	\$2,000,000	\$223,669	\$2,223,668

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. SOUTHEAST OHIO VOLUNTARY EDUCATIONAL CONSORTIUM

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

SEOVEC is governed by a governing board which is selected by the members. Each member has one vote in all matters, and each member's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. During fiscal year 2002, the Gallia County Local School District paid \$68,644 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 2001, the School District made no contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Cindy Hunt, who serves as Treasurer, at P.O. Box 178 Rio Grande, Ohio 45674.

D. SOUTHEASTERN OHIO SPECIAL EDUCATION REGIONAL RESOURCE COUNCIL

The Southeastern Ohio Special Education Regional Resource Center provides special education services at the regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The Gallia County Local School District has a cooperative agency agreement with the Council. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. Financial information can be obtained by contacting the treasurer at the Athens-Meigs ESC.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 15 - INSURANCE PURCHASING POOL

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

NOTE 16- STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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

NOTE 17 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

The School District is not party to legal proceedings.

GALLIA COUNTY LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 18 - DEFERRED COMPENSATION

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

NOTE 19 - STATUTORY RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 2001	\$194,236	\$0	\$194,236
Current year set-aside requirement	324,653	324,653	649,306
Current year offsets	0	(334,364)	(334,364)
Qualifying disbursements	(282,638)	0	(282,638)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>236,251</u>	<u>(9,711)</u>	<u>226,540</u>
Elimination of Carry Forward	<u>0</u>	<u>9,711</u>	<u>9,711</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$236,251</u>	<u>\$0</u>	<u>\$236,251</u>

NOTE 20 - RESTATEMENT OF FUND EQUITY

At June 30, 2001, donated commodities on hand were reported as deferred revenue in error in the Enterprise Funds. This error had the following effect on retained earnings as it was previously reported at June 30, 2001.

	<u>Enterprise</u>
Balance as Previously Reported	(\$429,370)
Removal of Deferred Revenue	<u>10,590</u>
Restated Balances as of July 1, 2001	<u>(\$418,780)</u>

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$	\$ 62,801	\$	\$ 67,226
School Breakfast Program	10.553	05-PU-01 05-PU-02	20,484 119,764		20,484 119,764	
Total School Breakfast Program			140,248	0	140,248	0
National School Lunch Program	10.555	LL-P4-01 LL-P4-02	39,185 304,364		39,185 304,364	
Total National School Lunch Program			343,549	0	343,549	0
Total Nutrition Cluster			483,797	62,801	483,797	67,226
Total United States Department of Agriculture			483,797	62,801	483,797	67,226
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies						
	84.010	C1-S1-00 C1-S1-01 C1-S1-02	83,089 817,358		8,578 381,911 634,978	
Total Title I Grants to Local Educational Agencies			900,447	0	1,025,467	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-SF-01-P 6B-SF-02-P	23,084 243,462		57,794 175,298	
Total Special Education - Grants to States			266,546	0	233,092	0
Special Education - Preschool Grants	84.173	PG-S1-00 PG-S1-01			5,328 14,553	
Total Special Education - Preschool Grants			0	0	19,881	0
Total Special Education Cluster			266,546	0	252,973	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-01 DR-S1-02	26,024		6 26,024	
Total Safe and Drug-Free Schools and Communities - State Grants			26,024	0	26,030	0
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	G2-S1-00 G2-S1-01 G2-S2-00 G2-S2-01 G2-S9-01	12,204		3,252 10,701 24,169 6,981 1,366	
Total Goals 2000 - State and Local Education Systemic Improvement Grants			37,204	0	46,469	0
Eisenhower Professional Development State Grants	84.281	MS-S1-99 MS-S1-00 MS-S1-01 MS-S1-02	11,133		682 21 492 320	
Total Eisenhower Professional Development State Grants			11,133	0	1,515	0
Innovative Education Program Strategies	84.298	C2-S1-00 C2-S1-01 C2-S1-02	358 18,455		50 4,671 10,863	
Total Innovative Education Program Strategies			18,813	0	15,584	0
Technology Literacy Challenge Program	84.318	TF-43-00	0	0	21,109	0
Class Size Reduction	84.340	CR-S1-00 CR-S1-01 CR-S1-02	13,960 184,429		21,194 21,583 158,021	
Total Class Size Reduction			198,389	0	200,798	0
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services</i>						
Early Intervention	84.181	N/A	35,232	0	21,811	0
Guiding Children to Live Successfully	84.186A	DFS-P-01 DFS-P-02	90,000		2,494 87,960	
Total Guiding Children to Live Successfully			90,000	0	90,454	0
Total United States Department of Education			1,583,788	0	1,702,210	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program (Medicaid: Title XIX)	93.778	N/A	45,383	0	45,383	0
Total United States Department of Health and Human Services			45,383	0	45,383	0
Total Federal Awards Receipts and Expenditures			\$2,112,968	\$62,801	\$2,231,390	\$67,226

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

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002 the School District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the general purpose financial statements of the Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 11, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-10727-001 through 2002-10727-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 11, 2002.

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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-10727-001 through 2002-10727-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe reportable conditions 2002-10727-001 through 2002-10727-004 described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 11, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Gallia County Local School District, Gallia County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002. However, we noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School District in a separate letter dated December 11, 2002.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 11, 2002

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(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)?	Yes
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I - Grants to Local Educational Agencies, CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10727-001

Noncompliance Citation, Material Weakness

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased and reduced amended certificates of estimated resources upon determination of the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Actual revenue exceeded estimated revenue in several funds throughout the year and at year end. Additionally, estimated revenue exceeded actual revenue in several funds throughout the year and at year end. Without the necessary increased amended certificate, this resulted in expenditures exceeding appropriations since appropriations cannot exceed estimated resources. Without the necessary reduced amended certificate, this could have resulted in appropriations greater than available resources. The variances at year end as follows:

Fund Type	Estimated Revenue	Actual Revenue	Variance	Appropriations	Actual Expenditures	Variance
General	\$15,134,265	\$16,245,706	\$1,111,441	\$15,842,646	\$15,856,005	(\$13,359)
Special Revenue	516,486	3,339,971	2,823,485	1,244,698	3,576,303	(2,331,605)
Debt Service	1,708,253	983,238	(725,015)	2,386,470	862,334	1,524,136
Capital Projects	410,736	414,990	4,254	1,067,588	19,487	1,048,101
Enterprise	689,416	769,755	80,339	792,864	866,023	(73,159)
Nonexpendable Trust	6,655	4,150	(2,505)	102,522	10,711	91,811
Agency	227,094	200,892	(26,202)	94,100	207,782	(113,682)

Although amended certificates were not obtained throughout the year, the School District did attempt to correct this problem at year end by running a SETBAL program which causes estimated revenue to equal actual revenue and appropriations to equal actual expenditures plus encumbrances. However, there was an error in the program and it did not pick up actual revenue in all cost centers. The audited Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types, and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Non-Expendable Trust Fund, present only budget amounts approved by the Board of Education. This resulted in an audit adjustment to increase/(decrease) year end estimated receipts per Fund Type in the audited Financial Statements to agree to Board approved totals as follows:

Fund Type	Adjustment to Budgeted Revenue
General	(\$1,314,979)
Special Revenue	(3,132,743)
Debt Service	(150,792)
Capital Projects	(65,486)

Additionally, Agency Fund budgeted revenue was overstated by \$5,901 in the District's ledgers for which budget vs. actual financial statements are not presented.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10727-001 (Continued)

Ohio Rev. Code Section 5705.36 (Continued)

We recommend the District monitor budget vs. actual revenue and request increased and/or reduced certificates when it becomes apparent actual revenue will be significantly less than or greater than the certified estimated revenue balances. Furthermore, we recommend the District ensure that budgeted amounts approved by the Board agree to those posted to the District's accounting system.

FINDING NUMBER 2002-10727-002

Noncompliance Citation, Material Weakness

Ohio Rev. Code Section 5705.38 states that a board of education shall pass its annual appropriation measure by the first day of October. If a school district's annual appropriation measure is delayed, the board may pass a temporary measure for meeting the ordinary expense of the district until it passes an annual appropriation measure.

As discussed in Auditor of State Bulletin 98-012 there are two circumstances when school district certificates/certification would be issued after October 1:

- A certificate/certification would be issued after October 1 when the district has borrowed against its spending reserve. This certificate/certification would not be used until second half personal property taxes are settled.
- A certificate/certification would be issued after October 1 when the delivery of a tax duplicate is delayed under Ohio Rev. Code Section 323.17 because a subdivision has placed a levy on the November ballot which if approved, will go on the current tax list and duplicate.

If a school district is in either of these situations, passage of the annual appropriation measure should be delayed until necessary certificates/certifications are received.

The Board did not adopt the annual appropriation resolution for 2002 until June 28, 2002 and did not meet either of the two circumstances listed above. This resulted in appropriations throughout the year equaling only the prior year carryover appropriation totals, which caused expenditures to exceed appropriations throughout the year.

We recommend the Board adopt an annual appropriation resolution by the first day of October.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2002-10727-003

Noncompliance Citation, Material Weakness

Ohio Rev. Code Section 5705.40 states any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The School District amended appropriations in the accounting system monthly, without approval of the Board of Education as required in making the original appropriation by Ohio Rev. Code Section 5705.38. Amounts not approved by the Board of Education cannot be counted as valid appropriations. The audited Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types, and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type and Non-Expendable Trust Fund, present only budget amounts approved by the Board of Education. This resulted in an audit adjustment to increase/(decrease) year end appropriations per Fund Type in the audited Financial Statements to agree to Board approved totals as follows:

Fund Type	Adjustment to Appropriations
General	(\$34,812)
Special Revenue	(3,376,401)
Debt Service	1,520,528
Capital Projects	352,870
Enterprise	(75,151)
Nonexpendable Trust	(8,044)

Additionally, Agency Fund appropriations were overstated by \$1,825,078 in the District's ledgers for which budget vs. actual financial statements are not presented.

We recommend the Board of Education approve permanent appropriations and all amendments to appropriations at the legal level of control. We also recommend the Treasurer post appropriations according to the appropriation measure approved by the Board of Education and filed with the County Auditor and amend those amounts only when appropriation amendments are approved by the Board of Education and filed with the County Auditor. Furthermore, we recommend the School District utilize the budgeted revenue and appropriation information posted to the School District's records to perform budget vs. actual comparisons to monitor budgeted activity.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10727-004

Noncompliance Citation, Material Weakness

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

Expenditures plus encumbrances exceeded appropriations throughout the year since the School District did not file a permanent appropriation measure until June 28, 2002. Furthermore, the appropriation measure approved on June 28, 2002 was prepared using the SETBAL program which is a program designed to make appropriations equal actual expenditures plus encumbrances. This program contained an error that excluded actual disbursements plus encumbrances in several cost centers. This resulted in expenditures plus encumbrances exceeding appropriations in the following funds at June 30, 2002 prior to GAAP adjustments to eliminate transfers in and transfers out between General Fund cost centers:

	Final Appropriations Including Carryover	Total Expenditures Plus Encumbrances	Variance
General Fund			
001 - General	\$15,842,646	\$15,856,605	(\$13,959)
Special Revenue Funds			
018 - Public School Support	42,813	101,316	(58,503)
300 - District Managed Activity	28,947	132,920	(103,973)
431 - TAG	-	1,246	(1,246)
447 - Disadvantaged Pupil Impact Aid	148,726	1,010,040	(861,314)
450 - OneNet	-	28,000	(28,000)
459 - Ohio Reads	3,916	71,915	(67,999)
499 - Miscellaneous State Grants	4,372	51,655	(47,283)
516 - Title VI-B	57,794	256,308	(198,514)
572 - Title I	510,334	1,049,755	(539,421)
573 - Chapter II	4,790	22,689	(17,899)
584 - Drug Free Grant	2,500	118,524	(116,024)
587 - Preschool/Handicapped Grants	41,692	302,494	(260,802)
599 - Miscellaneous Federal Grants	82,486	225,196	(142,710)
Capital Projects Funds			
420 - Vocational Equipment	1,596	8,718	(7,122)
Enterprise Fund			
006 - Food Service	792,864	866,023	(73,159)
Agency Funds			
200 - Student Managed Activity	92,361	207,694	(115,333)

We recommend the School District monitor appropriations vs. actual expenditures plus encumbrances and amend appropriations as needed following Ohio Rev. Code Section 5705.40. Furthermore, we recommend the School District ensure that the Board approved appropriations agree to the amounts posted in the accounting system. Finally, we recommend the School District not make expenditures for which appropriations are not available.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

The audit of Gallia County Local School District, Gallia County, for the year ended June 30, 2002 contained no findings for federal awards.

**GALLIA COUNTY LOCAL SCHOOL DISTRICT
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10727-001	Ohio Rev. Code Section 5705.39 - appropriations exceeded estimated revenue in the General Fund by \$86,700 at June 30, 2001	Yes	Corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JANUARY 2, 2003**