

Gallia County Local School District
Gallia County
Single Audit
For the Fiscal Year Ended June 30, 2013



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Dave Yost • Auditor of State

Board of Education
Gallia County Local School District
4836 State Route 325
Patriot, Ohio 45658

We have reviewed the *Independent Auditor's Report* of the Gallia County Local School District, Gallia County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 19, 2014

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Gallia County Local School District
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Independent Auditor's Report

Board of Education
Gallia County Local School District
4836 State Route 325
Patriot, Ohio 45658

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallia County Local School District, Gallia County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallia County Local School District, Gallia County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, during 2013, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinions regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

April 28, 2014

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

The discussion and analysis of the Gallia County Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2013 are as follows:

- Net position of governmental activities increased \$974,376.
- General revenues accounted for \$24,248,743 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,755,296 or 19% of total revenues of \$30,004,039.
- The School District had \$29,029,663 in expenses related to governmental activities; only \$5,755,296 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$24,248,743 were adequate to provide for these programs.
- The School District has two major funds: the General Fund and the Bond Retirement Fund. All governmental funds had total revenue and other financing sources in the amount of \$29,806,536 and expenditures in the amount of \$29,051,187.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

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

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

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1
Net Position

	Governmental Activities	
	2013	2012*
Assets		
Current and Other Assets	\$31,583,313	\$31,213,303
Capital Assets, Net	56,268,629	57,580,508
Total Assets	87,851,942	88,793,811
Liabilities		
Long-Term Liabilities	43,188,839	44,500,602
Current and Other Liabilities	2,640,572	2,942,700
Total Liabilities	45,829,411	47,443,302
Deferred Inflows of Resources		
Property Taxes not Levied to Finance Current Year Operations	12,640,512	12,942,866
Net Position		
Net Investment in Capital Assets	15,095,715	15,221,652
Restricted	10,782,299	10,849,035
Unrestricted	3,504,005	2,336,956
Total Net Position	\$29,382,019	\$28,407,643

* Restated to conform to current year reporting. See Note 22 for additional information.

Total net position of the School District as a whole increased \$974,376. Current and other assets increased primarily due to an increase in cash, cash equivalents and investments, which was partially offset by a decrease in taxes receivable. The decrease to Capital Assets, Net is due to depreciation expense and deletions exceeding additions. The decrease to long-term liabilities is due to current year principal payments. Current and other liabilities decreased primarily due to decreases in accounts payable, retainage payable, accrued wages and benefits payable and intergovernmental payable, which were partially offset by an increased in matured compensated absences payable.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013, as compared with 2012.

Table 2
Changes in Net Position

	Governmental Activities 2013	Governmental Activities 2012*
Revenues		
Program Revenues		
Charges for Services	\$ 1,391,660	\$ 1,512,307
Operating Grants and Contributions	4,363,636	4,768,204
Total Program Revenues	<u>5,755,296</u>	<u>6,280,511</u>
General Revenues		
Property Taxes	12,562,466	12,657,791
Grants and Entitlements, Not Restricted	11,097,191	11,109,721
Investment Earnings	209,419	374,629
Miscellaneous	379,667	365,069
Total General Revenues	<u>24,248,743</u>	<u>24,507,210</u>
Total Revenues	<u>30,004,039</u>	<u>30,787,721</u>
Program Expenses		
Instruction:		
Regular	10,066,267	10,457,950
Special	2,796,229	3,383,995
Vocational	452,068	395,118
Other	2,018,128	2,001,166
Support Services:		
Pupil	544,767	612,366
Instructional Staff	1,085,800	994,581
Board of Education	159,528	106,253
Administration	1,743,885	1,879,101
Fiscal	718,294	674,964
Business	31,263	31,317
Operation and Maintenance of Plant	2,377,548	1,612,431
Pupil Transportation	2,325,741	2,259,419
Central	678,400	640,594
Operation of Non-Instructional Services	1,172,797	1,055,317
Extracurricular Activities	977,606	524,302
Interest and Fiscal Charges	1,881,342	1,939,409
Total Expenses	<u>29,029,663</u>	<u>28,568,283</u>
Increase in Net Position	974,376	2,219,438
Net Position Beginning of Year	28,407,643	26,188,205
Net Position End of Year	<u>\$ 29,382,019</u>	<u>\$ 28,407,643</u>

* Restated and reclassified to conform to current year reporting. See Note 22 for additional information on restatement.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Operating grants and contributions decreased primarily due to decreased monies received from the Education Jobs program and the Title I program. Investment earnings decreased due to a decrease in cash on hand as of year end. Regular instruction decreased due to a decrease in salaries and benefit expenses within the General Fund. Special instruction decreased due to a decrease in Title I and IDEA Part B programs expenses. Operation and maintenance of plant support services increased due an increase in non-capitalized maintenance expenditures. Extracurricular activities increased as a result of increased depreciation expense due to the completed athletic complex.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions. Table 3 shows the total cost of services and the net cost of services for 2013 as compared with 2012. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013	2013	2012	2012*
Program Expenses				
Instruction:				
Regular	\$10,066,267	\$9,298,777	\$10,457,950	\$9,630,985
Special	2,796,229	1,318,840	3,383,995	1,454,076
Vocational	452,068	375,255	395,118	318,631
Other	2,018,128	1,923,779	2,001,166	1,892,309
Support Services:				
Pupil	544,767	519,299	612,366	579,583
Instructional Staff	1,085,800	508,555	994,581	615,212
Board of Education	159,528	152,040	106,253	100,802
Administration	1,743,885	1,552,285	1,879,101	1,669,736
Fiscal	718,294	663,218	674,964	606,054
Business	31,263	29,801	31,317	29,640
Operation and Maintenance of Plant	2,377,548	2,262,977	1,612,431	1,033,978
Pupil Transportation	2,325,741	2,017,644	2,259,419	1,986,414
Central	678,400	60,311	640,594	310,126
Operation of Non-Instructional Services	1,172,797	73,583	1,055,317	(86,402)
Extracurricular Activities	977,606	636,661	524,302	207,219
Interest and Fiscal Charges	1,881,342	1,881,342	1,939,409	1,939,409
Total	<u>\$29,029,663</u>	<u>\$23,274,367</u>	<u>\$28,568,283</u>	<u>\$22,287,772</u>

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The most significant change in fund balance was in the Bond Retirement Fund in the amount of \$901,730 due to property tax monies received exceeding the retirement of bonds and interest and fiscal charges. The Bond Retirement Fund had \$3,663,310 in revenues and \$2,761,580 in expenditures.

The General Fund had an increase of \$815,595. The General Fund had \$21,705,041 in revenues and other financing sources and \$20,889,446 in expenditures.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2013, the School District amended its General Fund appropriation budget.

For the General Fund, final appropriations were \$23,785,718, above original estimates of \$23,069,307. This increase was due primarily to increases in regular instruction. The difference between final budgeted appropriations and actual expenditures was due to conservative budgeting by the School District for regular instruction and transfers-out.

The School District's ending unobligated General Fund balance was \$6,000,740.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the School District had \$56,268,629 invested in land and land improvements, construction in progress, buildings and improvements, furniture and equipment, infrastructure, vehicles, and library and textbooks. Table 4 shows fiscal year 2013 balances compared to 2012.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2013	2012
Land and Land Improvements	\$4,636,620	\$1,407,781
Construction in Progress	73,500	6,247,462
Buildings and Improvements	49,951,861	48,458,624
Furniture and Equipment	777,763	771,740
Infrastructure	63,568	67,020
Vehicles	765,317	627,881
Totals	\$56,268,629	\$57,580,508

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

Debt

At June 30, 2013, the School District had general obligation bonds outstanding of \$38,805,000, excluding the premium of \$920,817. The School District also had a capital lease obligation outstanding at year-end totaling \$2,116,643. For additional information on debt, see Note 13 to the basic financial statements.

Gallia County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

ECONOMIC FACTORS

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Julia Slone, Treasurer at Gallia County Local School District, 4836 State Route 325, Patriot, Ohio 45658.

Gallia County Local School District
Statement of Net Position
As of June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 16,869,345
Accounts Receivable	39,096
Accrued Interest Receivable	2,179
Intergovernmental Receivable	1,275,998
Property Taxes Receivable	13,340,804
Restricted Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	55,891
Nondepreciable Capital Assets	816,842
Depreciable Capital Assets, Net	55,451,787
<i>Total Assets</i>	87,851,942
Liabilities	
Accounts Payable	26,841
Accrued Wages and Benefits Payable	1,604,243
Contracts Payable	195,380
Intergovernmental Payable	474,036
Accrued Interest Payable	148,762
Matured Compensated Absences Payable	135,419
Retainage Payable	55,891
Long-Term Liabilities:	
Due Within One Year	1,318,074
Due In More Than One Year	41,870,765
<i>Total Liabilities</i>	45,829,411
Deferred Inflows of Resources	
Property taxes not levied to finance current year operations	12,640,512
Net Position	
Net Investment in Capital Assets	15,095,715
Restricted for:	
Debt Service	6,745,983
Capital Projects	3,064,348
Other Purposes	513,026
Title I	136,171
Poverty Based Aid	226,429
Contributions:	
Expendable	4,342
Non-Expendable	92,000
Unrestricted	3,504,005
<i>Total Net Position</i>	\$ 29,382,019

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

Gallia County Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 10,066,267	\$ 378,231	\$ 389,259	\$ (9,298,777)
Special	2,796,229	84,112	1,393,277	(1,318,840)
Vocational	452,068	21,359	55,454	(375,255)
Other	2,018,128	94,349	-	(1,923,779)
Support Services:				
Pupil	544,767	25,468	-	(519,299)
Instructional Staff	1,085,800	25,359	551,886	(508,555)
Board of Education	159,528	7,488	-	(152,040)
Administration	1,743,885	73,627	117,973	(1,552,285)
Fiscal	718,294	28,936	26,140	(663,218)
Business	31,263	1,462	-	(29,801)
Operation and Maintenance of Plant	2,377,548	114,571	-	(2,262,977)
Pupil Transportation	2,325,741	87,242	220,855	(2,017,644)
Central	678,400	11,596	606,493	(60,311)
Operation of Non-Instructional Services	1,172,797	218,431	880,783	(73,583)
Extracurricular Activities	977,606	219,429	121,516	(636,661)
Interest and Fiscal Charges	1,881,342	-	-	(1,881,342)
Totals	\$ 29,029,663	\$ 1,391,660	\$ 4,363,636	(23,274,367)
General Revenues				
Property Taxes Levied for:				
General Purposes				8,718,848
Debt Service				3,394,169
Permanent Improvements				449,449
Grants and Entitlements not Restricted to Specific Programs				11,097,191
Investment Earnings				209,419
Miscellaneous				379,667
<i>Total General Revenues</i>				<u>24,248,743</u>
<i>Change in Net Position</i>				974,376
<i>Net Position Beginning of Year - As Restated, See Note 22</i>				<u>28,407,643</u>
<i>Net Position End of Year</i>				<u>\$ 29,382,019</u>

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

Gallia County Local School District

Balance Sheet

Governmental Funds

As of June 30, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 6,234,382	\$ 6,580,106	\$ 3,831,111	\$ 16,645,599
Receivables:				
Property Taxes	9,271,716	3,592,788	476,300	13,340,804
Accounts	31,030	-	-	31,030
Accrued Interest	-	-	2,179	2,179
Interfund	652,988	-	-	652,988
Intergovernmental	131,962	-	1,144,036	1,275,998
Restricted Assets:				
Equity in Pooled Cash, Cash Equivalents and Investments	-	-	55,891	55,891
<i>Total Assets</i>	<u>\$ 16,322,078</u>	<u>\$ 10,172,894</u>	<u>\$ 5,509,517</u>	<u>\$ 32,004,489</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$ 24,469	\$ -	\$ 2,372	\$ 26,841
Accrued Wages and Benefits Payable	1,445,264	-	158,979	1,604,243
Contracts Payable	-	-	195,380	195,380
Interfund Payable	-	-	652,988	652,988
Matured Compensated Absences Payable	129,158	-	6,261	135,419
Intergovernmental Payable	415,867	-	58,169	474,036
Retainage Payable	-	-	55,891	55,891
<i>Total Liabilities</i>	<u>2,014,758</u>	<u>-</u>	<u>1,130,040</u>	<u>3,144,798</u>
Deferred Inflows of Resources				
Property Taxes not Levied to Finance Current Year Operations	8,785,020	3,404,194	451,298	12,640,512
Unavailable Revenue - Delinquent Taxes	397,136	153,890	20,401	571,427
Unavailable Revenue - Grants	-	-	881,075	881,075
<i>Total Deferred Inflows of Resources</i>	<u>9,182,156</u>	<u>3,558,084</u>	<u>1,352,774</u>	<u>14,093,014</u>
Fund Balances				
Nonspendable	-	-	92,000	92,000
Restricted	-	6,614,810	3,316,629	9,931,439
Assigned	1,493,414	-	-	1,493,414
Unassigned (Deficit)	3,631,750	-	(381,926)	3,249,824
<i>Total Fund Balances</i>	<u>5,125,164</u>	<u>6,614,810</u>	<u>3,026,703</u>	<u>14,766,677</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 16,322,078</u>	<u>\$ 10,172,894</u>	<u>\$ 5,509,517</u>	<u>\$ 32,004,489</u>

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

Gallia County Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2013*

Total Governmental Fund Balances \$ 14,766,677

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 56,268,629

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

Taxes	571,427	
Intergovernmental	881,075	

Total 1,452,502

An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 231,812

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

Accrued Interest Payable	(148,762)	
Compensated Absences	(1,346,379)	
Capital Lease Obligations	(2,116,643)	
General Obligation Bonds	(38,805,000)	
Premium on Bonds	(920,817)	

Total (43,337,601)

Net Position of Governmental Activities \$ 29,382,019

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

Gallia County Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 8,741,330	\$ 3,395,538	\$ 436,391	\$ 12,573,259
Intergovernmental	11,494,512	267,772	3,470,305	15,232,589
Investment Earnings	172,686	-	36,733	209,419
Charges for Services	26,339	-	218,431	244,770
Tuition and Fees	945,207	-	-	945,207
Rent	24	-	-	24
Extracurricular Activities	57,901	-	143,758	201,659
Miscellaneous	263,042	-	116,625	379,667
<i>Total Revenues</i>	<u>21,701,041</u>	<u>3,663,310</u>	<u>4,422,243</u>	<u>29,786,594</u>
Expenditures				
Current:				
Instruction:				
Regular	8,164,443	-	546,252	8,710,695
Special	1,833,062	-	980,878	2,813,940
Vocational	455,363	-	-	455,363
Other	2,018,128	-	-	2,018,128
Support Services:				
Pupil	555,422	-	-	555,422
Instructional Staff	549,152	-	540,579	1,089,731
Board of Education	160,175	-	-	160,175
Administration	1,585,720	-	155,597	1,741,317
Fiscal	610,202	54,041	45,304	709,547
Business	30,976	-	-	30,976
Operation and Maintenance of Plant	2,411,335	-	29,238	2,440,573
Pupil Transportation	1,871,068	-	568,921	2,439,989
Central	264,295	-	429,671	693,966
Operation of Non-Instructional Services	-	-	1,169,311	1,169,311
Extracurricular Activities	380,105	-	158,271	538,376
Capital Outlay	-	-	457,386	457,386
Debt Service:				
Principal	-	845,000	246,240	1,091,240
Interest and Fiscal Charges	-	1,862,539	72,513	1,935,052
<i>Total Expenditures</i>	<u>20,889,446</u>	<u>2,761,580</u>	<u>5,400,161</u>	<u>29,051,187</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>811,595</u>	<u>901,730</u>	<u>(977,918)</u>	<u>735,407</u>
Other Financing Sources				
Proceeds from Sale of Assets	4,000	-	-	4,000
Inception of Capital Lease	-	-	15,942	15,942
<i>Total Other Financing Sources</i>	<u>4,000</u>	<u>-</u>	<u>15,942</u>	<u>19,942</u>
<i>Net Change in Fund Balances</i>	815,595	901,730	(961,976)	755,349
<i>Fund Balances Beginning of Year</i>	<u>4,309,569</u>	<u>5,713,080</u>	<u>3,988,679</u>	<u>14,011,328</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,125,164</u>	<u>\$ 6,614,810</u>	<u>\$ 3,026,703</u>	<u>\$ 14,766,677</u>

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

Gallia County Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds		\$	755,349
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.</p>			
Capital Asset Additions			806,282
Current Year Depreciation			(2,106,509)
Total			(1,300,227)
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the loss on the disposal of capital assets and the proceeds from the sale of capital assets.</p>			
Proceeds from Sale of Capital Assets			(4,000)
Loss on Disposal of Capital Assets			(7,652)
Total			(11,652)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Taxes			(10,793)
Intergovernmental			228,238
Total			217,445
<p>Proceeds from the inception of capital lease in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.</p>			
			(15,942)
<p>The amortization of premiums are reported as interest expense in the statement of activities but are not reported in the governmental funds.</p>			
			51,157
<p>Repayments of debt and capital lease principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.</p>			
			1,091,240
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>			
			(855)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>			
Decrease in Compensated Absences			185,308
Decrease in Interest Payable			2,553
Total			187,861
Net Change in Net Position of Governmental Activities		\$	974,376

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

Gallia County Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$ 21,432,541	\$ 21,432,541	\$ 23,359,313	\$ 1,926,772
Total Expenditures and Other Uses	<u>23,069,307</u>	<u>23,785,718</u>	<u>23,177,893</u>	<u>607,825</u>
Net Change in Fund Balance	(1,636,766)	(2,353,177)	181,420	2,534,597
Fund Balance, July 1	5,429,333	5,429,333	5,429,333	-
Prior Year Encumbrances Appropriated	<u>389,987</u>	<u>389,987</u>	<u>389,987</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,182,554</u>	<u>\$ 3,466,143</u>	<u>\$ 6,000,740</u>	<u>\$ 2,534,597</u>

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

Gallia County Local School District
Statement of Fund Net Position
Governmental Activities
Internal Service Fund
As of June 30, 2013

	Internal Service Fund
Assets	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 223,746
Accounts Receivable	8,066
<i>Total Assets</i>	231,812
Net Position	
Unrestricted	231,812
<i>Total Net Position</i>	\$ 231,812

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

Gallia County Local School District
Statement of Revenues, Expenses and Changes in Fund Net Postion
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	Internal Service Fund
Operating Expense	
Claims	\$ 855
<i>Total Operating Expense</i>	855
<i>Changes in Net Postion</i>	(855)
<i>Net Postion at Beginning of Year</i>	232,667
<i>Net Postion at End of Year</i>	\$ 231,812

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

Gallia County Local School District
Statement of Cash Flows
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	Internal Service Fund
<i>Decrease in Cash, Cash Equivalents and Investments</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 11,934
Cash Payments for Claims	(8,745)
Cash Payments for Purchased Services	(20,000)
<i>Net Cash Used for Operating Activities</i>	(16,811)
Decrease in Cash, Cash Equivalents and Investments	(16,811)
Cash, Cash Equivalents and Investments at Beginning of Year	240,557
Cash, Cash Equivalents and Investments at End of Year	\$ 223,746
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating Loss	\$ (855)
<i>Changes in Assets and Liabilities:</i>	
Increase in Accounts Receivable	(8,066)
Decrease in Claims Payable	(7,890)
<i>Net Cash Used for Operating Activities</i>	\$ (16,811)

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

Gallia County Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2013

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 1,535	\$ 99,480
Cash and Cash Equivalents with Fiscal Agent	-	6,978
Total Assets	<u>\$ 1,535</u>	<u>\$ 106,458</u>
Liabilities		
Undistributed Monies	<u>\$ -</u>	<u>\$ 106,458</u>
Net Position		
Held in Trust for Scholarships	<u>\$ 1,535</u>	

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

Gallia County Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Fund
Additions	
Gifts and Contributions	\$ 950
Deductions	
Payments in Accordance with Trust Agreements	2,465
<i>Change in Net Position</i>	(1,515)
<i>Net Position Beginning of Year</i>	3,050
<i>Net Position End of Year</i>	\$ 1,535

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Gallia County Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District provides educational services as authorized by State statute and/or federal guidelines. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the School District's seven (7) instructional support facilities staffed by 86 non-certificated and 162 certified personnel providing education to approximately 2,322 students.

Reporting Entity

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

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

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

- Parent Teacher Organization
- Booster Club

The School District is associated with six organizations, four of which are defined as jointly governed organizations, one is a risk sharing pool, and one is an insurance 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 Educational Regional Service System, the Schools of Ohio Risk Sharing Authority, Inc., and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Internal Service Fund The Internal Service Fund was used to provide excess coverage for claims in excess of contract amounts for medical, life, and dental benefits provided to employees. As of June 30, 2013 the fund had no claims to process. The remaining cash balance of \$223,746 is surplus left in the fund.

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

C. Measurement Focus

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

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

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

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

Deferred Outflows and Deferred Inflows of Resources

As more fully described in Note 22 to the basic financial statements, the District has implemented both GASB Statement No. 63 and GASB Statement No. 65, effective for fiscal year 2013. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District did not have any deferred outflows as of June 30, 2013. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consist of taxes and grants which are not collected in the available period. Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred inflows of resources. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

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

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect amounts in the certificate of estimated resources at the time the permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

F. Cash, Cash Equivalents and Investments

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

During fiscal year 2013, investments were limited to certificates of deposit.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$172,686 and \$36,733 to the Other Governmental Funds.

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

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

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

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

H. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities. The School District had no interfund transfers in fiscal year 2013.

I. Compensated Absences

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

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Estimates

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

M. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

The government-wide statement of net position reports \$10,782,299 in restricted net position, none of which is restricted by enabling legislation.

N. Restricted Assets

Restricted assets in the non-major Construction capital projects fund represent cash held as retainage for contractors.

O. Interfund Assets/Liabilities

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

P. Operating Revenues and Expenses

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Unamortized Bond Issuance Costs/Bond Premium and Discount

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

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized as expenditures and other financing sources, respectively.

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2013, the Lunchroom, Restructing Team Grant, Early Childhood, Race to the Top, Title VI-B, Title I, , and Teacher Quality Improvement had deficit fund balances of \$151,585, \$3,760, \$4,038, \$15,983, \$98,055, \$56,999, and \$51,506, respectively, which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$815,595
Revenue Accruals	1,712,173
Expenditure Accrual	(2,146,753)
Perspective Difference:	
Activity of Fund Reclassified for	
GAAP Reporting Purposes	6,118
Encumbrances	<u>(205,713)</u>
Budget Basis	<u><u>\$181,420</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

The School District's bank balance of \$17,629,650 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner as described above.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half collections are received by the School District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 2013 taxes were collected for the School District are:

	<u>2012 Second-Half Collections</u>		<u>2013 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$237,896,690	52.33%	\$253,099,780	53.84%
Public Utility	216,696,080	47.67%	216,948,450	46.16%
Total Assessed Value	<u>\$454,592,770</u>	<u>100.00%</u>	<u>\$470,048,230</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$28.75		\$28.75	

The School District receives property taxes from Gallia and Jackson Counties. The Gallia County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations.

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2013. 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 inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2013 was \$89,560 in the General Fund, \$34,704 in the Bond Retirement Fund, and \$4,601 in the Permanent Improvement Fund and was recognized as revenue for the fiscal year.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of property taxes, accounts, accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>General Fund</i>	\$131,962
<i>Non-Major Special Revenue Funds:</i>	
Special Education, Part B-IDEA	244,644
Title I	467,967
Race to the Top	300,684
Early Childhood Special Education, IDEA	3,979
Title II-A	78,519
Miscellaneous State Grants	3,561
Miscellaneous Federal Grants	44,682
Total Non-Major Special Revenue Funds	<u>1,144,036</u>
Total Intergovernmental Receivables	<u><u>\$1,275,998</u></u>

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$ 743,342	\$ -	\$ -	\$ 743,342
Construction in Progress	6,247,462	461,190	(6,635,152)	73,500
Total Capital Assets not being Depreciated	<u>6,990,804</u>	<u>461,190</u>	<u>(6,635,152)</u>	<u>816,842</u>
Depreciable Capital Assets:				
Land Improvements	2,384,097	3,865,870	-	6,249,967
Buildings and Improvements	60,062,300	2,722,767	(76,891)	62,708,176
Furniture and Equipment	1,381,627	76,494	(44,811)	1,413,310
Infrastructure	172,609	-	-	172,609
Library and Textbooks	1,138,235	-	-	1,138,235
Vehicles	3,334,989	315,113	(407,539)	3,242,563
Total Capital Assets being Depreciated	<u>68,473,857</u>	<u>6,980,244</u>	<u>(529,241)</u>	<u>74,924,860</u>
Less Accumulated Depreciation				
Land Improvements	(1,719,658)	(637,031)	-	(2,356,689)
Buildings and Improvements	(11,603,676)	(1,218,765)	66,126	(12,756,315)
Furniture and Equipment	(609,887)	(69,584)	43,924	(635,547)
Infrastructure	(105,589)	(3,452)	-	(109,041)
Library and Textbooks	(1,138,235)	-	-	(1,138,235)
Vehicles	(2,707,108)	(177,677)	407,539	(2,477,246)
Total Accumulated Depreciation	<u>(17,884,153)</u>	<u>(2,106,509)</u>	<u>517,589</u>	<u>(19,473,073)</u>
Total Capital Assets being Depreciated, Net	<u>50,589,704</u>	<u>4,873,735</u>	<u>(11,652)</u>	<u>55,451,787</u>
Capital Assets, Net	<u>\$ 57,580,508</u>	<u>\$ 5,334,925</u>	<u>\$ (6,646,804)</u>	<u>\$ 56,268,629</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,457,649
Special	16,572
Vocational	2,185
Support Services:	
Board of Education	6,493
Administration	15,335
Operation and Maintenance of Plant	6,632
Pupil Transportation	145,323
Central	694
Operation of Non-Instructional Services	10,797
Extracurricular Activities	444,829
Total Depreciation Expense	<u>\$ 2,106,509</u>

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 2013, the School District, together with other school districts in Ohio participate in the Schools of Ohio Risk Sharing Authority (SORSA), a non-profit, public entity risk sharing pool. SORSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the SORSA (see Note 19). The types and amounts of coverage provided by the Schools of Ohio Risk Sharing Authority during fiscal year 2013 are as follows:

Buildings and Contents	\$85,603,161
Earth Movement Limit	2,000,000
Flood Limit	2,000,000
Crime Coverage	100,000
EDP Equipment – Per Occurrence	1,250,000
Errors and Omissions Cover	1,000,000
General Liability	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District evaluated insurance coverages and therefore changed their coverage for the current year.

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school districts and educational service centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the Equity Pooling Fund. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts and educational service centers that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

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

The School District provides health and major medical, dental and prescription drug insurance for all eligible employees through United Healthcare. The School District pays monthly premiums of up to \$1,559.80 for family coverage and up to \$618.96 for individual coverage. The School District provides dental insurance for all eligible employees through Oasis Dental Trust. The School District pays monthly premiums of up to \$70.17 for family coverage and up to \$27.52 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The School District previously provided excess coverage for claims in excess of contract amounts through their self insurance Internal Service Fund. Additional information regarding the handling of these excess claims follows.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 9 - RISK MANAGEMENT (Continued)

An administrative charge was paid monthly to Saunders/Wiseman Insurance. All claims were paid as of June 30, 2013. The remaining balance is surplus to be moved back to the original fund. Changes in claims activity for the fiscal year follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claim Payments</u>	<u>Balance at</u> <u>End of Year</u>
2012	\$4,934	\$33,527	\$30,571	\$7,890
2013	7,890	855	8,745	0

NOTE 10- PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$434,284, \$405,795, and \$335,403, respectively; 73% has been contributed for fiscal year 2013 and 100% for the fiscal years 2012 and 2011. \$115,288 represents the unpaid contribution for fiscal year 2013.

NOTE 10 - PENSION PLANS (Continued)

B. State Teachers Retirement System

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

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

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

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

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

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 - PENSION PLANS (Continued)

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

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

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

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

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

For the fiscal years ended June 30, 2013, 2012 and 2011, plan members were required to contribute 10 percent of their annual covered salaries. For these fiscal years, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,205,874, \$1,248,427, and \$1,261,201, respectively; 84% has been contributed for the fiscal year 2013 and 100% for the fiscal year 2012 and 2011. \$196,242 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

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

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, four members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$93,849, \$95,496, and \$98,580 for fiscal years 2013, 2012 and 2011, respectively; 84% has been contributed for fiscal year 2013 and 100% for the fiscal years 2012 and 2011.

B. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, 2012 and 2011 the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent, respectively. The School District's contributions for the fiscal years ended June 30, 2013, 2012 and 2011 were \$26,015, \$23,787, and \$18,481; 73% has been contributed for fiscal year 2013 and 100% for the fiscal years 2011 and 2010.

Health Care Plan

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012 and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2013, 2012 and 2011 fiscal years equaled \$50,938, \$60,435, and \$92,656, respectively; 73% has been contributed for fiscal year 2013 and 100% for the fiscal years 2012 and 2011.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE

During fiscal year 2013, the School District entered into an agreement with Superior Office Service, Inc. to lease two copiers. During fiscal year 2011, the School District entered into a agreement with Ohio Valley Bank to lease the Athletic fields and construct facilities thereon. These leases meet the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements.

Future minimum lease payments as of June 30, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 320,493
2015	320,493
2016	320,493
2017	320,493
2018	318,753
2019-2021	<u>792,532</u>
Total	2,393,257
Less: Amount Representing Interest	<u>(276,614)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 2,116,643</u></u>

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE (Continued)

The construction and leases were capitalized in the amount of \$2,715,942 which represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2013 were \$246,240 in the governmental funds.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District’s long-term liabilities during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Reductions	Principal Outstanding 6/30/13	Due Within One Year
General Obligation Bonds 3.75%	\$39,650,000	\$0	\$845,000	\$38,805,000	\$905,000
Premium	971,974	0	51,157	920,817	0
Total Long-Term Bonds	40,621,974	0	896,157	39,725,817	905,000
Capital Lease	2,346,941	15,942	246,240	2,116,643	255,586
Compensated Absences	1,531,687	486,657	671,965	1,346,379	157,488
Total Long-Term Obligations	<u>\$44,500,602</u>	<u>\$502,599</u>	<u>\$1,814,362</u>	<u>\$43,188,839</u>	<u>\$1,318,074</u>

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

Compensated absences will be paid from the fund which the employee's salaries are paid, with the General Fund being the most significant. Capital leases will be paid from the Permanent Improvement Fund and the Title I Fund.

The School District’s voted legal debt margin was \$3,499,341. The School District has an unvoted debt margin of \$470,048 at June 30, 2013.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$905,000	\$1,828,595	\$2,733,595
2015	970,000	1,786,245	2,756,245
2016	1,105,000	1,739,895	2,844,895
2017	1,185,000	1,694,095	2,879,095
2018	1,265,000	1,643,514	2,908,514
2019-2023	7,870,000	7,242,122	15,112,122
2024-2028	9,950,000	5,157,406	15,107,406
2029-2033	12,635,000	2,371,375	15,006,375
2034	<u>2,920,000</u>	<u>73,000</u>	<u>2,993,000</u>
Total	<u>\$38,805,000</u>	<u>\$23,536,247</u>	<u>\$62,341,247</u>

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. **SOUTHEAST OHIO VOLUNTARY EDUCATIONAL COOPERATIVE**

The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of 22 school districts, 3 joint vocational school districts and 3 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information, write to Southeast Ohio Voluntary Education Cooperative, Jimmy Battrell, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701.

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

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

C. **GALLIA-VINTON EDUCATIONAL SERVICE CENTER**

Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Educational Service Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2013, the School District made \$216,343 in contributions to the Educational Service Center. To obtain financial information write to the Gallia-Vinton Educational Service Center, Lily Blevins, who serves as Treasurer, at P.O. Box 178, Rio Grande, Ohio 45674.

D. **EDUCATIONAL REGIONAL SERVICE SYSTEM (ERSS)**

The Educational Regional Service System consists of 16 designated regions to provide services to school districts, community schools, and chartered nonpublic schools in order to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 39105 Bradbury Road, Middleport, Ohio 45760.

NOTE 15 - INSURANCE PURCHASING POOL

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 16 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is not currently party to legal proceedings.

NOTE 17- 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 18- STATUTORY SET-ASIDES

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 acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Acquisition
Set-aside Balance as of June 30, 2012	\$0
Current year set-aside requirement	391,929
Current Year Qualifying disbursements	(185,939)
Prior Year Offset from Bond Proceeds	(205,990)
Set-aside Balance as of June 30, 2013	\$0

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 18- STATUTORY SET-ASIDES (Continued)

The carryover amount in the Capital Acquisition Set-Aside is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$41,296,662 at June 30, 2013.

NOTE 19 - RISK SHARING POOL

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

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

NOTE 20- INTERFUND ACTIVITY

Interfund balances at June 30, 2013, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2014 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$652,988	\$0
Non-Major Special Revenue Funds		
Teacher Quality Improvement	0	28,698
Food Service	0	240,494
Title VI-B	0	69,659
Early Childhood	0	1,521
Title I	0	282,315
Race to the Top	0	24,682
Misc Federal Grant	0	5,619
	<u>0</u>	<u>652,988</u>
Total Non-Major Special Revenue Funds	<u>0</u>	<u>652,988</u>
Total Interfund Receivables/Payables	<u><u>\$652,988</u></u>	<u><u>\$652,988</u></u>

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

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 21 – 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 58 days maximum for 20 or more years of service. Classified employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments as follows: 43 days maximum for one to nine years of service; 48 days maximum for 10 to 19 years of service; and 53 days maximum for 20 or more years of service.

B. Insurance

The School District provides health and major medical and prescription drug insurance for all eligible employees through United Healthcare. The School District pays monthly premiums of up to \$1,559.80 for family coverage and up to \$618.96 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 Anthem Life Insurance Company in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator.

Dental coverage was provided through Oasis Dental Trust. Premiums for the dental coverage were \$70.17 monthly for family coverage and \$27.52 for single coverage.

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES

For 2013 the County implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 62 had no effect on the financial statements.

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

The implementation of GASB Statements No. 63 and 65 had the following effect on beginning net position; beginning net position decreased from \$28,801,752 as of June 30, 2012 to \$28,407,643 as of July 1, 2012. The \$394,109 restatement is due to the removal of the remaining amount of bond issuance costs that had not yet been amortized.

There were also some financial statement reclassifications and terminology changes due to this implementation.

NOTE 23 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Scholarship	\$0	\$0	\$92,000	\$92,000
Restricted for				
Contributions	0	0	4,342	4,342
Poverty Aid	0	0	226,429	226,429
Other Purposes	0	0	64,628	64,628
Capital Improvements	0	0	3,021,230	3,021,230
Debt Services Payments	0	6,614,810	0	6,614,810
Total Restricted	0	6,614,810	3,316,629	9,931,439
Assigned to				
Other Purposes	1,493,414	0	0	1,493,414
Unassigned (Deficit)				
	3,631,750	0	(381,926)	3,249,824
Total Fund Balances	\$5,125,164	\$6,614,810	\$3,026,703	\$14,766,677

NOTE 24 – CONTRACT COMMITMENTS

The School District has entered into the following contracts for the purpose of constructing two athletic facilities and a baseball field:

Contractor	Contract Amount	Amount Paid as of 6/30/13	Remaining Balance
Trimat	\$ 2,229,559	\$ 2,134,725	\$ 94,834
AllStar Bleachers	329,721	311,675	18,046
Crown Excavating	245,000	-	245,000

Gallia County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 25 – ENCUMBRANCES

At June 30, 2013, the School District had encumbrance commitments in governmental funds as follows:

Major Fund:	
General	\$209,779
Non-Major Funds:	
Permanent Improvement	329,089
Construction	517,137
Food Service	22,892
Scholarship	1,535
Athletics	2,832
Poverty Aid	2,975
RTTT	8,722
IDEA-B	1,300
Title I	47,208
Improving Teacher Quality	<u>4,900</u>
Total Non-Major Funds	<u>938,590</u>
Total Funds	<u>\$1,148,369</u>

NOTE 26 – SUBSEQUENT EVENTS

In August 2013, the School District signed an agreement with Tyco Integrated Security to install security equipment at the Southwestern Elementary in anticipation of the School District Board of Education office being moved to this location. The contract was in the amount of \$186,682.

In October 2013, the School District signed an agreement with Blair Builders to retro fit offices at the Southwestern Elementary for the new School District Board of Education office. The contract was in the amount of \$103,000.

In November 2013, the School District signed an agreement with Rick Eplion Paving, Inc. for paving services at the River Valley High School location. The contract was in the amount of \$133,520.

NOTE 27 – COMPLIANCE

Office of Management and Budget (OMB) Circular A-133 Section .32(a) states that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The School District's single audit was not completed by the required deadline.

Contrary to Ohio Revised Code (ORC) Section 5705.41(B), the School District had expenditures in excess of appropriations.

Gallia County Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$229,655	\$0	\$229,655	\$0
National School Lunch Program	3L60	10.555	611,676	70,519	611,676	70,519
Total Child Nutrition Cluster			841,331	70,519	841,331	70,519
Total United States Department of Agriculture			841,331	70,519	841,331	70,519
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	479,067	0	605,730	0
Special Education-Preschool Grants	3C50	84.173	20,071	0	21,592	0
Total Special Education Cluster			499,138	0	627,322	0
Title I Grants to Local Educational Agencies	3M00	84.010	1,209,184	0	1,729,332	0
Twenty-First Century Community Learning Centers	3Y20	84.287	600,000	0	600,000	0
Educational Technology State Grants	3S20	84.318	8,805	0	12,318	0
Rural Education	3Y80	84.358	53,968	0	98,869	0
Improving Teacher Quality State Grants	3Y60	84.367	258,589	0	282,525	0
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	109,027	0	146,787	0
Total United States Department of Education			2,738,711	0	3,497,153	0
Total Federal Financial Assistance			\$3,580,042	\$70,519	\$4,338,484	\$70,519

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Gallia County Local School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2013

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Education
Gallia County Local School District
4836 State Route 325
Patriot, Ohio 45658

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gallia County Local School District, Gallia County, Ohio (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated April 28, 2014, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-2 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-1.

School District's Responses to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

April 28, 2014

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

Board of Education
Gallia County Local School District
4836 State Route 325
Patriot, Ohio 45658

Report on Compliance for Each Major Federal Program

We have audited Gallia County Local School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2013. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-3. Our opinion on each major federal program is not modified with respect to this matter.

The School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Gallia County Local School District
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133
Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

April 28, 2014

Gallia County Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	Title I Grants to Local Educational Agencies (CFDA #84.010) Twenty-First Century Community Learning Centers (CFDA #84.287)
Dollar threshold used to distinguish between type A and type B programs:	Type A: > \$300,000 Type B: All Others
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2013-1

Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations at fiscal year-end in the Lunchroom Fund. The School District should implement the appropriate procedures, such as periodic monitoring procedures, to ensure that expenditures (and commitments) are limited to appropriations.

Client Response:

The 006 lunchroom fund does not generate enough revenue to be self-sufficient. Advances from General Fund are required to prevent negative balance at year end. Prior audit advice was to advance funds each month so the month end balance was not negative. In prior years the district had done the advance or a transfer at year end. As we transferred funds back and forth monthly, we began to see that it caused an incorrect picture if one views total expenditures and revenue, so we did cease to do the advance monthly. However, during the year, a total of \$734,414.52 was advanced and then repaid. This distorts the picture of expenditures because it was funds moved back and forth, not actual expenditures. I did not include this “back and forth” funds movement in the appropriated amounts. Actual expenditures not including repayment of advances are at \$1,159,946.80, which is below the final appropriated amount of \$1,184,435.89. I will do some research to find the correct way to handle these fund to fund advances and repayments that will record the activity but not misrepresent actual expenses.

Gallia County Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2013

Finding 2013-2

Significant Deficiency – Financial Reporting

A monitoring system by the School District should be in place to prevent or detect misstatements for the accurate presentation of the School District's financial statements. Misstatements and misclassifications were identified during the course of the audit. Some were the result of errors in calculations performed during the compilation of the School District's financial report. Others were errors by the School District in posting of financial information to the accounting system. Most of these errors were corrected within the School District's financial report. Others were not considered significant and correction was waived. The School District should implement additional procedures over work performed by its consultants and by its own staff to ensure financial reports are accurately presented. Furthermore, we recommend the District review with its consultants the surplus in the self-insurance internal service fund remaining and return the surplus to the funds deemed appropriate.

Client Response:

The district has had several projects going on simultaneously, including office renovation, construction of baseball fields, wrapping up previous project of two football/track athletic facilities, roof repairs, and paving a parking lot. These areas seem to be problem areas when we are having our financial statements prepared by GAAP consultants. I am fairly new to projects and school accounting, so as I give actual expenditure information to the company that we hire to compile asset additions/deletions, depreciation, etc. I did not realize our GAAP conversion consultant needs to reduce additions by amounts they may have recorded as payables and as assets in the previous year. My lack of experience with the GAAP conversion process is a contributing factor. I answered questions as asked, but did not ask enough questions to be sure they were getting the actual information in the detail that they needed. The GAAP conversion consultant and the independent auditors have explained much of this to me to avoid future recurrences. The District will review with their insurance consulting firm to determine the correct way to set up the FSA fund and transfer the remaining surplus in the insurance fund.

Section III – Federal Award Findings and Questioned Costs

Finding 2013-3

Noncompliance – Nine Month Deadline for Single Audits

Major Programs Affected

Title I Grants to Local Educational Agencies (CFDA #84.010) and Twenty-First Century Community Learning Centers (CFDA #84.287)

Summary of Requirement

Office of Management and Budget (OMB) Circular A-133 Section .320(a) states that that audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition

The School District's single audit was not completed by the required deadline.

Recommendation

The School District should implement the appropriate procedures to ensure that the appropriate deadlines are met.

Gallia County Local School District
Corrective Action Plan
OMB Circular A-133 Section .315(c)
For the Fiscal Year Ended June 30, 2013

Corrective Action Plan for Finding 2013-3

Finding Control Number – 2013-3

Summary of Finding

The School District's single audit was not completed by the required deadline.

Statement of Concurrence

The School District is aware of Finding 2013-3 and agrees that the finding as stated is correct.

Corrective Action

The School District experienced significant difficulties during the past year. With the illness and then death of the superintendent, the appointment of a temp during her illness, an interim after her death, and a new superintendent, the treasurer was involved much more than usual working with the rest of the administrative team to keep the district functioning day to day. During the same time period, the central office relocated to a different building, a fiscal department employee was off for 6 weeks due to the illness of her child, and prior to her return another employee in the fiscal department resigned suddenly. These events individually would not normally cause major issues for an extended period of time, but all of these happening in one year were difficult to deal with. The Treasurer ended up spending large portions of each day handling the duties normally handled by the account clerks. With these issues happening during the time the auditors began the audit; their requests for information were not handled as promptly as necessary. We have now trained substitute clerks so that we have trained resources to work if the department staffing suffers similar situations in the future. There is also now an assistant superintendent position currently on a trial basis to avoid the major upheaval should the acting superintendent be unable to fulfill the duties.

Contact Person

Julia Slone, Treasurer

Gallia County Local School DistrictGallia County

Schedule of Prior Audit Findings

OMB Circular A-133 Section .315(b)

For the Fiscal Year Ended June 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2012-1	Noncompliance Citation – ORC Section 5705.36 – Certification of Available Resources	Yes	
Finding 2012-2	Noncompliance Citation – ORC Sections 5705.38(B) and 5705.39 – Annual Appropriations Measure/Appropriations in Excess of Estimated Resources	Yes	
Finding 2012-3	Noncompliance – ORC Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2013-1
Finding 2012-4	Material Weakness – Financial Reporting	No	Reissued as Finding 2013-2
Finding 2012-5	Noncompliance/Material Weakness – Schedule of Federal Awards Expenditures	Yes	

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Education
Gallia County Local School District
4836 State Route 325
Patriot, Ohio 45658

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Gallia County Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated January 28, 2013, we noted the Board adopted an anti-harassment policy on December 17, 2007. However, this policy did not include all matters required by Ohio Revised Code Section 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the December 17, 2007 policy. The policy lacks the following required by Ohio Revised Code Section 3313.66:
 - a. Violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than this specified party.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

April 28, 2014

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Dave Yost • Auditor of State

GALLIA COUNTY LOCAL SCHOOL DISTRICT

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 29, 2014**