



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Galion City School District  
Crawford County  
200 West Church Street  
Galion, Ohio 44833

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**JIM PETRO**  
Auditor of State

December 20, 1999

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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Asset Account Group</u>	<u>General Long-Term Debt Account Group</u>	
<b>Assets and Other Debits:</b>								
<b>Assets:</b>								
Equity in Pooled Cash and Cash Equivalents	\$723,325	\$279,400	\$85,088	\$54,448	\$129,283	\$0	\$0	\$1,271,544
<b>Receivables:</b>								
Taxes	4,840,312	0	0	0	0	0	0	4,840,312
Accounts	55,850	280	0	1,346	0	0	0	57,476
Intergovernmental	96,080	0	0	0	0	0	0	96,080
Accrued Interest	4,485	0	0	0	0	0	0	4,485
Interfund Receivable	1,470	0	0	0	0	0	0	1,470
Materials and Supplies Inventory	17,933	0	0	12,706	0	0	0	30,639
<b>Restricted Assets:</b>								
Equity in Pooled Cash and Cash Equivalents	180,265	0	0	0	0	0	0	180,265
Fixed Assets	0	0	0	202,076	0	9,244,007	0	9,446,083
Accumulated Depreciation	0	0	0	(192,918)	0	0	0	(192,918)
<b>Other Debits:</b>								
Provided from General Government Resources	0	0	0	0	0	0	1,239,804	1,239,804
<b>Total Assets and Other Debits</b>	<u>\$5,919,720</u>	<u>\$279,680</u>	<u>\$85,088</u>	<u>\$77,658</u>	<u>\$129,283</u>	<u>\$9,244,007</u>	<u>\$1,239,804</u>	<u>\$16,975,240</u>



**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Asset Account Group	General Long-Term Debt Account Group	
<b>Liabilities:</b>								
Accounts Payable	\$65,891	\$14,879	\$16,306	\$89	\$5,807	\$0	\$0	\$102,972
Accrued Wages and Benefits	1,245,785	75,666	0	36,930	0	0	0	1,358,381
Compensated Absences Payable	64,494	0	0	16,605	0	0	928,403	1,009,502
Interfund Payable	0	1,470	0	0	0	0	0	1,470
Intergovernmental Payable	202,650	12,914	0	17,547	0	0	104,981	338,092
Deferred Revenue	3,454,890	0	0	3,928	0	0	0	3,458,818
Due to Students	0	0	0	0	73,665	0	0	73,665
Capital Leases Payable	0	0	0	0	0	0	7,424	7,424
Energy Conservation Loan Payable	0	0	0	0	0	0	56,355	56,355
General Obligation Bonds Payable	0	0	0	0	0	0	142,641	142,641
<b>Total Liabilities</b>	<u>5,033,710</u>	<u>104,929</u>	<u>16,306</u>	<u>75,099</u>	<u>79,472</u>	<u>0</u>	<u>1,239,804</u>	<u>6,549,320</u>
<b>Fund Equity and Other Credits:</b>								
Investment in General Fixed Assets	0	0	0	0	0	9,244,007	0	9,244,007
Retained Earnings:								
Unreserved	0	0	0	2,559	0	0	0	2,559
Fund Balances:								
Reserved:								
Reserved for Encumbrances	359,002	85,577	16,255	0	513	0	0	461,347
Reserved for Inventory	17,933	0	0	0	0	0	0	17,933
Reserved for Contributions	0	0	0	0	25,000	0	0	25,000
Reserved for Property Taxes	1,385,228	0	0	0	0	0	0	1,385,228
Reserved for Budget Stabilization	180,265	0	0	0	0	0	0	180,265
Unreserved:								
Unreserved, Undesignated	(1,056,418)	89,174	52,527	0	24,298	0	0	(890,419)
<b>Total Fund Equity and Other Credits</b>	<u>886,010</u>	<u>174,751</u>	<u>68,782</u>	<u>2,559</u>	<u>49,811</u>	<u>9,244,007</u>	<u>0</u>	<u>10,425,920</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u><u>\$5,919,720</u></u>	<u><u>\$279,680</u></u>	<u><u>\$85,088</u></u>	<u><u>\$77,658</u></u>	<u><u>\$129,283</u></u>	<u><u>\$9,244,007</u></u>	<u><u>\$1,239,804</u></u>	<u><u>16,975,240</u></u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Intergovernmental	\$7,394,146	\$822,860	\$0	\$728,786	\$0	8,945,792
Interest	97,488	5,006	0	0	400	102,894
Tuition and Fees	137,466	0	0	0	0	137,466
Rent	3,910	0	0	0	0	3,910
Extracurricular Activities	0	123,481	0	0	0	123,481
Gifts and Donations	0	20,387	0	0	965	21,352
Customer Services	22,644	0	0	0	0	22,644
Property & Other Local Taxes	4,874,075	0	0	0	0	4,874,075
Miscellaneous	53,717	0	0	0	8,061	61,778
<b>Total Revenues</b>	<u>12,583,446</u>	<u>971,734</u>	<u>0</u>	<u>728,786</u>	<u>9,426</u>	<u>14,293,392</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	6,280,254	151,761	0	264,756	0	6,696,771
Special	1,188,607	407,912	0	0	1,000	1,597,519
Vocational	144,436	0	0	0	0	144,436
Other	100,344	0	0	0	0	100,344
<b>Support Services:</b>						
Pupils	721,020	21,787	0	0	0	742,807
Instructional Staff	616,429	87,488	0	0	0	703,917
Board of Education	29,071	0	0	0	0	29,071
Administration	1,187,218	56,650	0	0	0	1,243,868
Fiscal	281,836	1,936	0	0	0	283,772
Operation and Maintenance of Plant	1,258,232	0	0	471,577	1,512	1,731,321
Pupil Transportation	483,813	112	0	0	0	483,925
Central	61,641	10,118	0	0	0	71,759
Non-Instructional Services	0	104,019	0	0	6,726	110,745
Extracurricular activities	340,552	138,032	0	0	0	478,584
Capital Outlay	29,727	0	0	48,523	0	78,250
<b>Debt Service:</b>						
Debt Service - Principal	3,421	0	27,049	0	0	30,470
Debt Service - Interest	791	0	8,985	0	0	9,776
<b>Total Expenditures</b>	<u>12,727,392</u>	<u>979,815</u>	<u>36,034</u>	<u>784,856</u>	<u>9,238</u>	<u>14,537,335</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(143,946)</u>	<u>(8,081)</u>	<u>(36,034)</u>	<u>(56,070)</u>	<u>188</u>	<u>(243,943)</u>
<b>Other Financing Sources and Uses</b>						
Operating Transfers In	0	90,674	36,034	26,925	0	153,633
Proceeds from Sale of Long-Term Notes	60,000	0	0	0	0	60,000
Proceeds from Sale of Fixed Assets	92	0	0	0	0	92
Other Financing Sources	0	3,868	0	0	0	3,868
Operating Transfers Out	(154,357)	0	0	0	0	(154,357)
<b>Total Other Financing Sources (Uses)</b>	<u>(94,265)</u>	<u>94,542</u>	<u>36,034</u>	<u>26,925</u>	<u>0</u>	<u>63,236</u>
<b>Excess of Rev and Other over Exp and Other...</b>	<u>(238,211)</u>	<u>86,461</u>	<u>0</u>	<u>(29,145)</u>	<u>188</u>	<u>(180,707)</u>
<b>Fund Balance at Beginning of Year</b>	<u>1,124,221</u>	<u>88,290</u>	<u>0</u>	<u>97,927</u>	<u>12,981</u>	<u>1,323,419</u>
<b>Fund Balance at End of Year</b>	<u>\$886,010</u>	<u>\$174,751</u>	<u>\$0</u>	<u>\$68,782</u>	<u>\$13,169</u>	<u>\$1,142,712</u>

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

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COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGETARY-ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999

	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Intergovernmental	\$7,298,066	\$7,298,066	\$0	\$906,923	\$847,860	(\$59,063)
Interest	98,871	99,440	569	4,708	5,006	298
Tuition and Fees	98,313	98,313	0	0	0	0
Rent	3,910	3,910	0	0	0	0
Extracurricular Activities	0	0	0	123,631	123,631	0
Gifts and Donations	0	0	0	20,387	20,387	0
Customer Services	22,644	22,644	0	0	0	0
Property & Other Local Taxes	4,899,962	4,899,962	0	0	0	0
Miscellaneous	67,328	67,328	0	0	0	0
<b>Total Revenues</b>	<b>12,489,094</b>	<b>12,489,663</b>	<b>569</b>	<b>1,055,649</b>	<b>996,884</b>	<b>(58,765)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	6,377,051	6,377,051	0	251,432	177,852	73,580
Special	1,172,587	1,172,587	0	467,627	415,720	51,907
Vocational	128,810	128,810	0	0	0	0
Other	100,344	100,344	0	0	0	0
<b>Support Services:</b>						
Pupils	723,972	723,972	0	34,162	22,311	11,851
Instructional Staff	613,472	613,472	0	130,539	100,572	29,967
Board of Education	29,214	29,214	0	0	0	0
Administration	1,209,261	1,209,261	0	60,911	55,642	5,269
Fiscal	290,186	290,186	0	1,945	1,945	0
Operation and Maintenance of Plant	1,401,054	1,401,054	0	0	0	0
Pupil Transportation	611,981	611,981	0	188	112	76
Central	66,244	66,244	0	18,799	17,760	1,039
Non-Instructional Services	0	0	0	160,060	140,972	19,088
Extracurricular activities	339,146	339,146	0	154,149	154,149	0
Capital Outlay	29,727	29,727	0	0	0	0
<b>Debt Service:</b>						
Debt Service - Principal	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>13,093,049</b>	<b>13,093,049</b>	<b>0</b>	<b>1,279,812</b>	<b>1,087,035</b>	<b>192,777</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(603,955)</b>	<b>(603,386)</b>	<b>569</b>	<b>(224,163)</b>	<b>(90,151)</b>	<b>134,012</b>
<b>Other Financing Sources and Uses</b>						
Operating Transfers In	0	0	0	90,674	90,674	0
Proceeds from Sale of Long-Term Notes	60,000	60,000	0	0	0	0
Proceeds from Sale of Fixed Assets	92	92	0	0	0	0
Refund of Prior Year Expenditures	794	794	0	0	(130)	(130)
Advances In	0	0	0	1,470	1,470	0
Other Financing Sources	0	0	0	3,998	3,998	0
Operating Transfers Out	(154,357)	(154,357)	0	0	0	0
Advances Out	(1,470)	(1,470)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(94,941)</b>	<b>(94,941)</b>	<b>0</b>	<b>96,142</b>	<b>96,012</b>	<b>(130)</b>
<b>Excess of Rev and Other over Exp and Other...</b>	<b>(698,896)</b>	<b>(698,327)</b>	<b>569</b>	<b>(128,021)</b>	<b>5,861</b>	<b>133,882</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,042,988</b>	<b>1,042,988</b>	<b>0</b>	<b>103,804</b>	<b>103,804</b>	<b>0</b>
Prior Year Encumbrances Appropriated	134,122	134,122	0	67,198	67,198	0
<b>Fund Balance at end of Year</b>	<b>\$478,214</b>	<b>\$478,783</b>	<b>\$569</b>	<b>\$42,981</b>	<b>\$176,863</b>	<b>\$133,882</b>

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

Debt Service			Capital Projects			Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$728,786	\$728,786	\$0	\$0	\$0	\$0	\$8,933,775	\$8,874,712	(\$59,063)
0	0	0	0	0	0	372	400	28	103,951	104,846	895
0	0	0	0	0	0	0	0	0	98,313	98,313	0
0	0	0	0	0	0	0	0	0	3,910	3,910	0
0	0	0	0	0	0	0	0	0	123,631	123,631	0
0	0	0	0	0	0	965	965	0	21,352	21,352	0
0	0	0	0	0	0	0	0	0	22,644	22,644	0
0	0	0	0	0	0	0	0	0	4,899,962	4,899,962	0
0	0	0	0	0	0	8,061	8,061	0	75,389	75,389	0
0	0	0	728,786	728,786	0	9,398	9,426	28	14,282,927	14,224,759	(58,168)
0	0	0	310,057	281,011	29,046	0	0	0	6,938,540	6,835,914	102,626
0	0	0	0	0	0	1,000	1,000	0	1,641,214	1,589,307	51,907
0	0	0	0	0	0	0	0	0	128,810	128,810	0
0	0	0	0	0	0	0	0	0	100,344	100,344	0
0	0	0	0	0	0	0	0	0	758,134	746,283	11,851
0	0	0	23,481	0	23,481	0	0	0	767,492	714,044	53,448
0	0	0	0	0	0	0	0	0	29,214	29,214	0
0	0	0	0	0	0	0	0	0	1,270,172	1,264,903	5,269
0	0	0	0	0	0	0	0	0	292,131	292,131	0
0	0	0	471,577	471,577	0	1,512	1,512	0	1,874,143	1,874,143	0
0	0	0	0	0	0	0	0	0	612,169	612,093	76
0	0	0	0	0	0	0	0	0	85,043	84,004	1,039
0	0	0	0	0	0	7,802	7,802	0	167,862	148,774	19,088
0	0	0	0	0	0	0	0	0	493,295	493,295	0
0	0	0	55,348	55,348	0	0	0	0	85,075	85,075	0
36,034	36,034	0	0	0	0	0	0	0	36,034	36,034	0
36,034	36,034	0	860,463	807,936	52,527	10,314	10,314	0	15,279,672	15,034,368	245,304
(36,034)	(36,034)	0	(131,677)	(79,150)	52,527	(916)	(888)	28	(996,745)	(809,609)	187,136
36,034	36,034	0	26,925	26,925	0	0	0	0	153,633	153,633	0
0	0	0	0	0	0	0	0	0	60,000	60,000	0
0	0	0	0	0	0	0	0	0	92	92	0
0	0	0	0	0	0	0	0	0	794	664	(130)
0	0	0	0	0	0	0	0	0	1,470	1,470	0
0	0	0	0	0	0	0	0	0	3,998	3,998	0
0	0	0	0	0	0	0	0	0	(154,357)	(154,357)	0
0	0	0	0	0	0	0	0	0	(1,470)	(1,470)	0
36,034	36,034	0	26,925	26,925	0	0	0	0	64,160	64,030	(130)
0	0	0	(104,752)	(52,225)	52,527	(916)	(888)	28	(932,585)	(745,579)	187,006
0	0	0	84,827	84,827	0	12,767	12,767	0	1,244,386	1,244,386	0
0	0	0	19,925	19,925	0	777	777	0	222,022	222,022	0
\$0	\$0	\$0	\$0	\$52,527	\$52,527	\$12,628	\$12,656	\$28	\$533,823	\$720,829	\$187,006

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$279,703	\$0	\$279,703
Interest	0	2,967	2,967
Other Revenues	3,714	0	3,714
<b>Total Operating Revenues</b>	<u>283,417</u>	<u>2,967</u>	<u>286,384</u>
<b>Operating Expenses:</b>			
Salaries	201,041	0	201,041
Fringe Benefits	101,255	0	101,255
Purchased Services	4,460	2,500	6,960
Materials and Supplies	215,619	0	215,619
Depreciation	1,612	0	1,612
<b>Total Operating Expenses</b>	<u>523,987</u>	<u>2,500</u>	<u>526,487</u>
<b>Operating Income (Loss)</b>	<u>(240,570)</u>	<u>467</u>	<u>(240,103)</u>
<b>Non-Operating Revenues and Expenses:</b>			
Federal Donated Commodities	21,717	0	21,717
Interest	4,888	0	4,888
Federal and State Subsidies	182,023	0	182,023
<b>Total Non-Operating Revenues and Expenses</b>	<u>208,628</u>	<u>0</u>	<u>208,628</u>
<b>Income Before Operating Transfers</b>	<u>(31,942)</u>	<u>467</u>	<u>(31,475)</u>
Operating Transfers-In	724	0	724
<b>Net Income (Loss)</b>	<u>(31,218)</u>	<u>467</u>	<u>(30,751)</u>
Fund Balance/Retained Earnings at Beginning of Year	33,777	36,176	69,953
<b>Fund Balance/Retained Earnings at End of Year</b>	<u>\$2,559</u>	<u>\$36,643</u>	<u>\$39,202</u>

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

**COMBINED STATEMENT OF CASH FLOW  
 PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>Memorandum Only</u>
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Sales	\$278,919	\$0	\$278,919
Other Cash Receipts	3,714	0	3,714
Cash Pmts. to Suppliers for Goods & Service	(196,616)	0	(196,616)
Cash Payments for Contract Services	(4,460)	(2,500)	(6,960)
Cash Payments for Employee Services	(190,365)	0	(190,365)
Cash Payments for Employee Benefits	(118,216)	0	(118,216)
Net Cash Provided by (Used for) Operating Activities	<u>(227,024)</u>	<u>(2,500)</u>	<u>(229,524)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Received	182,023	0	182,023
Operating Transfers In	724	0	724
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>182,747</u>	<u>0</u>	<u>182,747</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments	4,888	2,967	7,855
Net Cash Provided by (Used for) Investing Activities	<u>4,888</u>	<u>2,967</u>	<u>7,855</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Payments for Capital Acquisitions	(2,095)	0	(2,095)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,095)</u>	<u>0</u>	<u>(2,095)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(41,484)	467	(41,017)
Cash & Cash Equivalents at Beginning of Year	95,932	36,176	132,108
<b>Cash &amp; Cash Equivalents at End of Year</b>	<u>\$54,448</u>	<u>\$36,643</u>	<u>\$91,091</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
<b>Operating Income (Loss)</b>	(\$240,570)	\$467	(\$240,103)
<b>Adjustments to Reconcile Operating Income (loss) To Net Cash Provided by (Used for) Operating Activities:</b>			
Depreciation	1,612	0	1,612
Donated Commodities Used During the Year	21,717	0	21,717
Non-Expendable Trust Fund Interest	0	(2,967)	(2,967)
<b>(Increase) Decrease in Assets:</b>			
Accounts Receivable	(784)	0	(784)
Material and Supplies Inventory	(3,058)	0	(3,058)
<b>Increase (Decrease) in Liabilities:</b>			
Compensated Absences Payable	417	0	417
Intergovernmental Payable	(6,835)	0	(6,835)
Deferred Revenue	255	0	255
Accounts Payable	89	0	89
Accrued Wages and Benefits	133	0	133
Total Adjustments	<u>13,546</u>	<u>(2,967)</u>	<u>10,579</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(\$227,024)</u>	<u>(\$2,500)</u>	<u>(\$229,524)</u>

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

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Galion City 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 operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 32 square miles. It is located in Crawford County, and includes the City of Galion and Polk Township. The School District is the 227th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 83 non-certificated employees and 169 certificated full-time teaching personnel who provide services to 2,383 students and other community members. The School District currently operates 6 instructional buildings and one garage.

*Reporting Entity:*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Galion City 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 does not have any component units.

The School District is associated with four organizations, which are defined as a joint venture, a jointly governed organization, and insurance purchasing pools. These organizations include the North Central Ohio Computer Cooperative, the Pioneer Joint Vocational School District, the Ohio School Boards Association Worker's Compensation Group Rating Plan, and the Wyandot-Crawford Health Benefit Plan Trust Agreement. These organizations are presented in Notes 16, 17, and 18 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Galion City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

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

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

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

**Governmental Fund Types:**

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

**General Fund**

The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

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

**Debt Service Fund**

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

**Capital Projects Funds**

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

**Proprietary Fund Types:**

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

**Enterprise Funds**

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

**Fiduciary Fund Types:**

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

**Account Groups:**

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

**General Fixed Assets Account Group**

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

**General Long-Term Debt Account Group**

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

**B. Measurement Focus and Basis of Accounting**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Tax Budget:**

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

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

**Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**Appropriations:**

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, supplemental appropriations were legally enacted.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process (Continued)**

**Appropriations: (Continued)**

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

**Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund.

**Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to STAR Ohio. Investment earnings are allocated as authorized by state statute based upon School District policy. Investment revenue allocated to the General and Food Service funds amounted to \$97,488 and \$4,888, respectively.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investments purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 1999.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Inventory**

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

**F. Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**G. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Intergovernmental Revenues (Continued)**

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Venture Capital
- Auxiliary Services
- Education Management Information Systems
- Public School Preschool
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Teacher Development
- Financial Literacy Grant
- Textbook/Materials Subsidy
- Eisenhower Grant

**Capital Projects Funds**

- School Net
- School Net Plus
- Technology Equity
- Emergency School Building Repair

**Reimbursable Grants**

**General Fund**

- Driver Education Reimbursement

**Enterprise Funds**

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 61 percent of the School District's operating revenue during the 1999 fiscal year.

**H. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**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. 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.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences (Continued)**

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 10 years of current service and at least 45 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long Term Obligations Account Group until due.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Non recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, and budget stabilization.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balance Reserves (Continued)**

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by state statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

**N. Total Columns on General Purpose Financial Statements**

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

**3. ACCOUNTABILITY/COMPLIANCE**

At June 30, 1999, the Title I and Drug Free School Grant funds had deficit fund balances of \$47,560 and \$1,249, respectively which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The District did not always expend District money within Board approved appropriations throughout the year for several accounts. The Board amended District appropriations prior to June 30, 1999 to eliminate these deficits.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary – Actual (Non GAAP Budgetary Basis) All Governmental Fund Types and Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund				
	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	(\$698,327)	\$5,861	(\$52,225)	(\$888)
Net Adjustments for:			0	0
Revenue Accruals	92,989	(25,150)		
Expenditure Accruals	(58,386)	4,683	(9,481)	421
Other Sources/Uses	705	(1,470)	0	0
Encumbrances	424,808	102,537	32,561	655
GAAP Basis	<u>(\$238,211)</u>	<u>\$86,461</u>	<u>(\$29,145)</u>	<u>\$188</u>

**5. DEPOSITS AND INVESTMENTS**

Statutes require the classification of monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawal 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$651,809 and the bank balance was \$866,679. Of the bank balance, \$100,000 was covered by federal depository insurance and \$766,679 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**Investments:** The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments of \$800,000 in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located within the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88 percent of true value (with certain exceptions). Real property is assessed at 35 percent of appraised market value and personal property is assessed at 100 percent of market value except for personal property of rural electric companies, which are assessed at 50 percent of market, and railroads, which are assessed at 29 percent.

Tangible personal property taxes attach as a lien and are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the 1999 taxes were collected was \$148,557,987, of which real and public utility property represented 78 percent (\$115,331,530) of the total, and tangible personal property represented 22 percent (\$33,246,457). The voted general tax rate for operations at the fiscal year ended June 30, 1999, was \$58.60 per \$1,000 of assessed valuation.

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

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

The Crawford, Richland, and Morrow County Treasurers collect property tax on behalf of the District. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current fiscal year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**6. PROPERTY TAXES (Continued)**

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating this revenue in accordance with Ohio Revised Code Section 5705.35, since an advance of revenue was not requested and received prior to the end of the fiscal year.

**7. RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, intergovernmental, accounts (rent, billings for user charged services, and student fees) and interest. All receivables are considered collectible in full.

A summary of the principle items of receivables follows:

	Amount
General Fund	
Taxes	\$4,840,312
Accounts	55,850
Intergovernmental	96,080
Accrued Interest	4,485
Total General Fund	\$4,966,727
Special Revenue Fund	
Accounts	280
Enterprise Fund	
Accounts	1,346
Total Receivables	\$4,998,353

**8. FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$456,765	\$0	\$0	\$456,765
Buildings and Improvements	5,602,943	471,577	0	6,074,520
Furniture and Equipment	2,010,704	282,293	62,465	2,230,532
Vehicles	485,566	0	3,376	482,190
Totals	\$8,555,978	\$753,870	\$65,841	\$9,244,007

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$202,076
Less: Accumulated Depreciation	(192,918)
Net Fixed Assets	\$9,158

**9. RISK MANAGEMENT**

The District is subject to various risks of loss related to torts, theft of, or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District's maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles.

Vehicle policies include liability coverage for bodily injury and property damage and uninsured motorists. The liability limits are \$2,000,000 for each accident and medical coverage of \$50,000 per person.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**9. RISK MANAGEMENT (Continued)**

Real property and contents are fully insured. Limits of insurance on property and equipment are \$37,490,200.

The liability policy is \$1,000,000 for each occurrence and \$5,000,000 aggregate.

Settled claims have not exceeded this commercial coverage in any of the past three years.

**OSBA Group Rating Program**

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Gates-McDonald & Company provides administrative, cost control and actuarial services to the GRP.

**10. CAPITAL LEASES**

The School District has entered into capitalized leases for the acquisition of telecommunication systems.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by 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 have been reclassified and are reflected as debt service expenditures in the Combined Financial Statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long Term Obligation Account Group. Principal payments in fiscal year 1999 totaled \$3,421. This amount is reflected as debt service principal retirement in the General Fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**10. CAPITAL LEASES (Continued)**

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	Telecommunications
2000	\$4,212
2001	3,860
Total	\$8,072
Less: Amount Representing Interest	(648)
Present Value of Net Minimum Lease Payments	\$7,424

**11. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance at 07/01/98	Additions	Deductions	Balance at 06/30/99
Energy Conservation Note	\$73,042	\$0	\$16,687	\$56,355
General Obligation Bonds	93,002	0	10,361	82,641
Boiler Replacement	0	60,000	0	60,000
Long Term Bonds & Notes	\$166,044	\$60,000	\$27,048	\$198,996
Capital Leases	10,845	0	3,421	7,424
Pension Obligation	95,697	9,284	0	104,981
Compensated Absences	898,434	58,577	28,608	928,403
Total Long Term Obligations	\$1,171,020	\$127,861	\$59,077	\$1,239,804

*Elevator Construction General Obligation Bonds* - On August 25, 1996, the Galion City School District issued \$115,000 in voted general obligation bonds for the purpose of constructing an elevator. The bonds were issued for a ten year period with final maturity at December 1, 2005. The bonds will be retired from the debt service fund. The interest rate is 5.4 percent.

*Energy Conservation Loan* - On June 18, 1992, the Galion City School District issued \$155,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2002. The loan will be retired from the debt service fund. The interest rate is 5.95 percent.

*Boiler Replacement Loan* - On May 21, 1999, the Galion City School District issued \$60,000 in unvoted general obligation notes for the purpose of replacing a boiler. The notes were issued for a ten year period with the final maturity at June 1, 2009. The notes will be retired from the debt service fund. The interest rate is 4.685 percent.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$13,370,219 with an unvoted debt margin of \$148,558 at June 30, 1999.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**11. LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	33,381	10,246	43,627
2001	35,353	8,274	43,627
2002	37,357	6,270	43,627
2003	18,377	4,461	22,838
2004	19,342	3,496	22,838
2005-2009	55,186	5,647	60,833
Total	<u>\$198,996</u>	<u>\$38,394</u>	<u>\$237,390</u>

**12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, recreation and extended daycare. The table below reflects the more significant financial data relating to the enterprise funds of the Galion City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Recreation	Extended Daycare	Totals
Operating Revenues	\$276,791	\$2,912	\$3,714	\$0	\$283,417
Operating Expenses	(515,927)	(2,439)	(3,285)	(724)	(522,375)
Depreciation Expense	(1,612)	0	0	0	(1,612)
Operating Income (Loss)	(240,748)	473	429	(724)	(240,570)
Donated Commodities	21,717	0	0	0	21,717
Grants	182,023	0	0	0	182,023
Interest	4,888	0	0	0	4,888
Transfers In	0	0	0	724	724
Net Income (Loss)	(32,120)	473	429	0	(31,218)
Net Working Capital	(12,782)	1,691	4,492	0	(6,599)
Total Assets	71,475	1,691	4,492	0	77,658
Total Liabilities	75,099	0	0	0	75,099
Total Equity	(3,624)	1,691	4,492	0	2,559

**13. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Galion City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of the 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$252,047, \$234,890, and \$229,014, respectively; 48 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$129,876 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The Galion City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1998, were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rate of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,064,906, \$1,013,908, and \$954,540, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$177,864 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account.

**14. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**14. POSTEMPLOYMENT BENEFITS (Continued)**

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll. For the District this amount equals to \$609,819 for fiscal year 1999.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District the amount to fund health care benefits, including the surcharge was \$122,746 for the fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

**15. EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 47 days for classified employees and 52 days for certified employees.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**16. JOINT VENTURE WITHOUT EQUITY INTEREST**

North Central Ohio Computer Cooperative - The North Central Ohio Computer Cooperative (NCOCC) is a governmental joint venture consisting of 21 school districts and 3 county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in the net obligations or asset liquidation in a ratio proportionate to their last twelve months financial obligations. NCOCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NCOCC as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Jerry Payne, who serves as the Treasurer, at P. O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

**17. JOINTLY GOVERNED ORGANIZATIONS**

Pioneer Joint Vocational School District - The Pioneer Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pioneer Joint Vocational School District, Jerry A. Payne, who serves as Treasurer, at 27 Ryan Road, Shelby, Ohio 44875.

**18. INSURANCE PURCHASING POOL**

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

Wyandot-Crawford Health Benefit Plan Trust Agreement - The School District has joined together with Carey Exempted Village School District, Colonel Crawford Local School District, Upper Sandusky Exempted Village School District, and Buckeye Central Local School District to form the Wyandot-Crawford Health Benefit Plan Trust Agreement, a public entity shared risk pool, operating as a common risk management and insurance program for the member school districts. The plan was organized to provide benefit coverage for employees and dependents and designated beneficiaries of such employees. The Huntington National Bank serves as trustee for the Wyandot-Crawford Health Benefit Plan Trust Agreement.

**19. CONTINGENCIES**

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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**20. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and 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 School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the fund balance reserves for textbooks, capital acquisition and improvements, and budget stabilization during fiscal year 1999. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$81,852	\$81,852
Current Year Set-aside Requirement	196,826	196,826	98,413	492,065
Current Year Offsets	(34,845)	0	0	(34,845)
Qualifying Disbursements	(164,218)	(539,312)	0	(703,530)
Total	<u>(\$2,237)</u>	<u>(\$341,486)</u>	<u>\$180,265</u>	<u>(\$163,458)</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$180,265</u>	<u>\$180,265</u>
Amount restricted for Budget Stabilization				180,265
Total Restricted Assets				<u>\$180,265</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the fund balance reserve amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**21. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$6,533,181 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**22. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The school district has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS). The District has several school buildings with power systems, which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

The vendor for the School District's power systems has asserted that the school buildings automated control systems will be operational on January 1, 2000.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disburse- ments</b>	<b>Non-Cash Disburse- ments</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution	34-6400544	10.550	\$0	\$21,972	\$0	\$21,717
School Breakfast Program	05-PU 98 05-PU 99	10.553	3,598 23,353	0	3,598 23,353	0
Total School Breakfast Program			26,951	0	26,951	0
National School Lunch Program	03-PU 98 03-PU 99 04-PU 98 04-PU 99	10.555	3,029 19,752 15,824 102,703	0 0 0 0	3,029 19,752 15,824 102,703	0
Total National School Lunch Program			141,308	0	141,308	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<b>168,259</b>	<b>21,972</b>	<b>168,259</b>	<b>21,717</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
Telecomm E-Rate Program		84.XXX	6,904	0	6,904	0
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF 98 P 6B-SF 99 P	84.027	5,166 102,214	0	10,948 89,992	0
Total Special Education Grants to States			107,380	0	100,940	0
Special Education - Preschool Grant	PG-S1 97 P PG-S1 98 P	84.173	0 12,168	0	2,152 6,995	0
Total Special Education - Preschool Grant			12,168	0	9,147	0
Total Special Education Cluster			<b>119,548</b>	<b>0</b>	<b>110,087</b>	<b>0</b>
Title I Grants to Local Educational Agencies	C1-S1-98 C1-S1-98 C C1-S1-99 C1-SD-99	84.010	38,281 9,947 386,778 10,797	0 0 0 0	46,623 9,947 372,571 10,654	0
Total Title I Grants to Local Educational Agencies			<b>445,803</b>	<b>0</b>	<b>439,795</b>	<b>0</b>
Eisenhower Professional Development State Grant	MS-S1-97 MS-S1-98 P MS-S1-99	84.281	0 12,013 12,206	0	10,595 1,459 410	0
Total Eisenhower Professional Development State Grant			<b>24,219</b>	<b>0</b>	<b>12,464</b>	<b>0</b>
Safe and Drug-Free Schools and Communities	DR-S1-98 DR-S1-99	84.186	0 15,274	0	3,808 16,021	0
Total Safe and Drug-Free Schools and Communities			<b>15,274</b>	<b>0</b>	<b>19,829</b>	<b>0</b>
Innovative Educational Program Strategies	C2-S1-98 C2-S1-99	84.298	0 9,776	0	368 5,535	0
Total Innovative Educational Program Strategies			<b>9,776</b>	<b>0</b>	<b>5,903</b>	<b>0</b>
Goal 2000 - State and Local Education Systemic Improvement	G2-S2-99	84.276	4,000	0	280	0
<i>Passed Through Pioneer Joint Vocational School:</i>						
Vocational Education - Basic Grants to States	VE-S1-99	84.048	1,225	0	1,225	0
Total U.S. Department of Education			<b>626,749</b>	<b>0</b>	<b>596,487</b>	<b>0</b>
<b>UNITED STATES DEPARTMENT OF LABOR</b>						
<i>Passed Through Ohio Department of Education:</i>						
Employment Services and Job Training	34-6407662	17.249	10,000	0	2,174	0
Total U.S. Department of Labor			<b>10,000</b>	<b>0</b>	<b>2,174</b>	<b>0</b>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>						
<i>Passed Through State Library of Ohio Agency:</i>						
State Library Program	34-6407662	45.310	15,000	0	0	0
Total Institute of Museum and Library Services			<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Totals</b>			<b>\$820,008</b>	<b>\$21,972</b>	<b>\$766,920</b>	<b>\$21,717</b>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 1999, the District had no significant commodities in inventory.

**NOTE C - TELECOMM E-RATE PROGRAM**

The program does not have a CFDA number assigned to it. It is administered by the U.S. Department of Education.





STATE OF OHIO  
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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Galion City School District  
Crawford County  
200 West Church Street  
Galion, Ohio 44833

To the Board of Education:

We have audited the general purpose financial statements of the Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10517-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 20, 1999.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10517-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Galion City School District in a separate letter dated December 20, 1999.

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

**JIM PETRO**  
Auditor of State

December 20, 1999



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

Galion City School District  
Crawford County  
200 West Church Street  
Galion, Ohio 44833

To the Board of Education:

**Compliance**

We have audited the compliance of the Galion City School District, Crawford County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

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

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

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

**JIM PETRO**  
Auditor of State

December 20, 1999

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

<b>Finding Number</b>	1999-10517-001
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Ohio Rev. Code Section 5705.41(B) states that in part no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Expenditures exceeded appropriations at the legal level of control in the following accounts throughout the year.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	1999-10517-001 (Continued)
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Fund Type/Fund	Account Number	Account Type	Total Appropriated	Total Expended	Variance
Enterprise/ Food Service	006-3100-100	Personnel Services	0.00	100,225.00	(100,225.00)
	006-3100-200	Benefits	0.00	67,928.00	(67,928.00)
	006-3100-400	Purchased Services	36.00	3,875.00	(3,839.00)
	006-3100-500	Supplies & Materials	67.00	111,715.00	(111,648.00)
Capital Projects/ SchoolNet	450-1100-500	Supplies & Materials	8,001.00	30,430.00	(22,486.00)
	450-1100-600	Capital Outlay	138,899.00	167,350.00	(28,451.00)
Capital Projects/ Emergency Building Repair	497-2700-600	Capital Outlay	0.00	454,958.00	(454,958.00)
	497-5300-400	Purchased Services	0.00	55,348.00	(55,348.00)

The legal level of budgetary control is defined as the level at which spending in excess of budgeted amounts would be a violation of law. In Ohio, the legal level of control is the level at which the appropriation measure is passed by the legislative authority of a local government. For Galion City School District, the appropriation measure is passed at the fund, function and object level, therefore the legal level of control is at the object level.

The District amended its appropriation measure prior to June 30 to eliminate these deficits. However, the District officials should periodically review the appropriations ledger to ensure the expenditures do not exceed appropriations through out the year.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**  
**(Continued)**

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

<b>Finding Number</b>	1999-10517-002
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The District passed its appropriation measure and filed its certificate of estimated resources timely. However, the estimated amounts of revenue and the appropriation amounts were not completely posted to the computer system until January. Consequently, budget to actual amounts were not able to be monitored on a consistent basis for the first half of the year. Although the Board received SM-2 reports monthly to review, these reports showed budget and actual amounts for the general fund and DPIA fund only. They did not show the amount of estimated revenues and appropriations as passed by the Board for all funds.

The purpose of the budget is to help monitor the financial activity of the District. When budgeted amounts are not posted, funds can not be properly monitored to ensure that appropriations do not exceed estimated revenues and expenditures do not exceed appropriations. Control and accountability over fiscal operations is lost when the budget is not used as a management tool.

To use the budget as an effective management tool, the Treasurer should ensure all approved budgeted amounts are posted to the system timely and prepare monthly reports which show the budgeted and actual amount of receipts and disbursements for all funds. The Board should review and use these reports to monitor the financial activity of the District.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None







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**GALION CITY SCHOOL DISTRICT**

**CRAWFORD 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  
FEBRUARY 8, 2000**