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AUDITOR OF STATE

STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Galion City School District, Crawford County, Ohio, as of June 30, 2002, 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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 additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements.

We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

JIM PETRO
Auditor of State

December 17, 2002

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 1,608,690	\$ 250,910	\$ 77,979	\$ 23,369
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	6,445,511	-	-	-
Accounts	86,694	459	-	-
Due from other governments	34,192	124,475	-	27,359
Materials and supplies inventory	12,438	-	-	13,922
Prepayments	56,800	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	39,013	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	17,616
OTHER DEBITS:				
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 8,283,338</u>	<u>\$ 375,844</u>	<u>\$ 77,979</u>	<u>\$ 82,266</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 153,039	\$ 8,047	\$ 8,858	\$ -
Accrued wages and benefits	1,356,183	73,898	-	42,857
Compensated absences payable	19,402	-	-	19,919
Pension obligation payable	216,366	11,014	-	13,403
Deferred revenue	4,629,015	124,475	68,400	-
Due to other governments	47,872	1,988	-	824
Due to students	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	<u>6,421,877</u>	<u>219,422</u>	<u>77,258</u>	<u>77,003</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	5,263
Fund balances:				
Reserved for encumbrances	660,768	20,231	579	-
Reserved for materials and supplies inventory	12,438	-	-	-
Reserved for prepayments	56,800	-	-	-
Reserved for tax revenue unavailable for appropriation	1,816,496	-	-	-
Reserved for principal endowment	-	-	-	-
Reserved for textbooks	9,363	-	-	-
Reserved for bus purchase allowance	29,650	-	-	-
Unreserved-undesignated (deficit).	(724,054)	136,191	142	-
Total equity and other credits	<u>1,861,461</u>	<u>156,422</u>	<u>721</u>	<u>5,263</u>
Total liabilities, equity and other credits	<u>\$ 8,283,338</u>	<u>\$ 375,844</u>	<u>\$ 77,979</u>	<u>\$ 82,266</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$ 110,404	\$ -	\$ -	\$ 2,071,352
51,133	-	-	51,133
-	-	-	6,445,511
-	-	-	87,153
-	-	-	186,026
-	-	-	26,360
-	-	-	56,800
-	-	-	39,013
-	10,027,359	-	10,044,975
-	-	1,230,908	1,230,908
<u>\$ 161,537</u>	<u>\$ 10,027,359</u>	<u>\$ 1,230,908</u>	<u>\$ 20,239,231</u>
\$ -	\$ -	\$ -	\$ 169,944
-	-	-	1,472,938
-	-	1,042,627	1,081,948
-	-	95,376	336,159
-	-	-	4,821,890
-	-	-	50,684
99,280	-	-	99,280
-	-	92,905	92,905
<u>99,280</u>	<u>-</u>	<u>1,230,908</u>	<u>8,125,748</u>
-	10,027,359	-	10,027,359
-	-	-	5,263
222	-	-	681,800
-	-	-	12,438
-	-	-	56,800
-	-	-	1,816,496
41,000	-	-	41,000
-	-	-	9,363
-	-	-	29,650
21,035	-	-	(566,686)
<u>62,257</u>	<u>10,027,359</u>	<u>-</u>	<u>12,113,483</u>
<u>\$ 161,537</u>	<u>\$ 10,027,359</u>	<u>\$ 1,230,908</u>	<u>\$ 20,239,231</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 6,027,373	\$ -	\$ -	\$ -	\$ -	\$ 6,027,373
Tuition	102,630	-	-	-	-	102,630
Earnings on investments	65,477	3,028	-	-	373	68,878
Extracurricular		173,673	-	-	-	173,673
Other local revenues	123,819	20,520	-	-	500	144,839
Other revenue	224,718	200	-	-	-	224,918
Intergovernmental - State	8,675,825	235,389	-	21,000	-	8,932,214
Intergovernmental - Federal	800	728,113	-	-	-	728,913
	<u>15,220,642</u>	<u>1,160,923</u>	<u>-</u>	<u>21,000</u>	<u>873</u>	<u>16,403,438</u>
Total revenue						
Expenditures:						
Current:						
Instruction:						
Regular	7,091,818	196,959	-	110,786	-	7,399,563
Special	1,576,966	430,296	-	-	1,251	2,008,513
Vocational	132,493	-	-	-	-	132,493
Other	80,404	4,778	-	-	-	85,182
Support services:						
Pupil	448,554	9,130	-	-	-	457,684
Instructional staff	669,944	102,877	-	3,461	-	776,282
Board of Education	58,528	-	-	-	-	58,528
Administration	1,265,139	138,846	-	-	-	1,403,985
Fiscal	367,027	-	-	-	-	367,027
Business	465	-	-	-	-	465
Operations and maintenance	1,458,406	-	-	-	-	1,458,406
Pupil transportation	611,072	26	-	-	-	611,098
Central	129,846	8,915	-	-	-	138,761
Community services	11,889	12,962	-	12,000	-	36,851
Extracurricular activities	409,959	196,416	-	-	-	606,375
Facilities acquisition and construction	15,888	-	-	-	-	15,888
Intergovernmental pass through	-	95,013	-	-	-	95,013
Debt service:						
Principal retirement	-	-	37,358	-	-	37,358
Interest and fiscal charges	-	-	6,269	-	-	6,269
	<u>14,328,398</u>	<u>1,196,218</u>	<u>43,627</u>	<u>126,247</u>	<u>1,251</u>	<u>15,695,741</u>
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures	892,244	(35,295)	(43,627)	(105,247)	(378)	707,697
Other financing sources (uses):						
Proceeds from sale of fixed assets	79	-	-	-	-	79
Operating transfers in	-	-	43,627	-	-	43,627
Operating transfers out	(83,627)	-	-	-	-	(83,627)
	<u>(83,548)</u>	<u>-</u>	<u>43,627</u>	<u>-</u>	<u>-</u>	<u>(39,921)</u>
Total other financing sources (uses)						
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	808,696	(35,295)	-	(105,247)	(378)	667,776
Fund balances, July 1	1,040,327	191,717	-	105,968	11,502	1,349,514
Increase in reserve for inventory	12,438	-	-	-	-	12,438
Fund balances, June 30	<u>\$ 1,861,461</u>	<u>\$ 156,422</u>	<u>\$ -</u>	<u>\$ 721</u>	<u>\$ 11,124</u>	<u>\$ 2,029,728</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 5,747,218	\$ 5,621,301	\$ (125,917)	\$ -	\$ -	\$ -
Tuition	36,061	68,438	32,377	-	-	-
Earnings on investments	77,179	71,256	(5,923)	3,140	3,028	(112)
Extracurricular	-	-	-	160,302	173,214	12,912
Other local revenues	71,446	71,244	(202)	18,987	20,521	1,534
Other revenue	116,728	191,582	74,854	200	200	-
Intergovernmental - State	8,644,609	8,675,825	31,216	245,867	235,389	(10,478)
Intergovernmental - Federal	-	800	800	779,722	774,912	(4,810)
Total revenues	<u>14,693,241</u>	<u>14,700,446</u>	<u>7,205</u>	<u>1,208,218</u>	<u>1,207,264</u>	<u>(954)</u>
Expenditures:						
Current:						
Instruction:						
Regular	7,326,510	7,219,153	107,357	241,091	211,220	29,871
Special	1,551,593	1,572,693	(21,100)	500,981	436,712	64,269
Vocational	135,514	131,172	4,342	-	-	-
Other	69,738	80,344	(10,606)	4,778	4,778	-
Support services:						
Pupil	573,432	459,234	114,198	13,143	10,255	2,888
Instructional staff	674,593	653,985	20,608	109,869	103,600	6,269
Board of Education	46,380	42,106	4,274	-	-	-
Administration	1,178,135	1,278,931	(100,796)	139,115	132,994	6,121
Fiscal	333,254	366,269	(33,015)	-	-	-
Operations and maintenance	1,837,960	1,725,687	112,273	-	-	-
Pupil transportation	728,207	689,771	38,436	140	-	140
Central	179,113	177,056	2,057	17,388	13,796	3,592
Community services	10,000	11,881	(1,881)	141,116	115,320	25,796
Extracurricular activities	381,723	407,713	(25,990)	225,887	207,527	18,360
Facilities acquisition and construction	36,485	235,888	(199,403)	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>15,062,637</u>	<u>15,051,883</u>	<u>10,754</u>	<u>1,393,508</u>	<u>1,236,202</u>	<u>157,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(369,396)</u>	<u>(351,437)</u>	<u>17,959</u>	<u>(185,290)</u>	<u>(28,938)</u>	<u>156,352</u>
Other financing sources (uses):						
Advances in	225	213,077	212,852	49,363	116,545	67,182
Advances out	(175,000)	(161,276)	13,724	(86,010)	(168,346)	(82,336)
Proceeds from sale of fixed assets	100	79	(21)	-	-	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(96,107)	(83,627)	12,480	-	-	-
Refund of prior year expenditure	40,299	59,244	18,945	1,000	1,916	916
Total other financing sources (uses)	<u>(230,483)</u>	<u>27,497</u>	<u>257,980</u>	<u>(35,647)</u>	<u>(49,885)</u>	<u>(14,238)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(599,879)</u>	<u>(323,940)</u>	<u>275,939</u>	<u>(220,937)</u>	<u>(78,823)</u>	<u>142,114</u>
Fund balances, July 1	674,196	674,196	-	270,912	270,912	-
Prior year encumbrances appropriated	467,009	467,009	-	26,707	26,707	-
Fund balances, June 30	<u>\$ 541,326</u>	<u>\$ 817,265</u>	<u>\$ 275,939</u>	<u>\$ 76,682</u>	<u>\$ 218,796</u>	<u>\$ 142,114</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,747,218	\$ 5,621,301	\$ (125,917)
-	-	-	-	-	-	36,061	68,438	32,377
-	-	-	-	-	-	80,319	74,284	(6,035)
-	-	-	-	-	-	160,302	173,214	12,912
-	-	-	-	-	-	90,433	91,765	1,332
-	-	-	-	-	-	116,928	191,782	74,854
-	-	-	21,000	89,400	68,400	8,911,476	9,000,614	89,138
-	-	-	-	-	-	779,722	775,712	(4,010)
-	-	-	21,000	89,400	68,400	15,922,459	15,997,110	74,651
-	-	-	149,779	149,637	142	7,717,380	7,580,010	137,370
-	-	-	-	-	-	2,052,574	2,009,405	43,169
-	-	-	-	-	-	135,514	131,172	4,342
-	-	-	-	-	-	74,516	85,122	(10,606)
-	-	-	-	-	-	586,575	469,489	117,086
-	-	-	3,460	3,460	-	787,922	761,045	26,877
-	-	-	-	-	-	46,380	42,106	4,274
-	-	-	-	-	-	1,317,250	1,411,925	(94,675)
-	-	-	-	-	-	333,254	366,269	(33,015)
-	-	-	-	-	-	1,837,960	1,725,687	112,273
-	-	-	-	-	-	728,347	689,771	38,576
-	-	-	12,000	12,000	-	208,501	202,852	5,649
-	-	-	-	-	-	151,116	127,201	23,915
-	-	-	-	-	-	607,610	615,240	(7,630)
-	-	-	-	-	-	36,485	235,888	(199,403)
37,358	37,358	-	-	-	-	37,358	37,358	-
6,269	6,269	-	-	-	-	6,269	6,269	-
43,627	43,627	-	165,239	165,097	142	16,665,011	16,496,809	168,202
(43,627)	(43,627)	-	(144,239)	(75,697)	68,258	(742,552)	(499,699)	242,853
-	-	-	-	-	-	49,588	329,622	280,034
-	-	-	-	-	-	(261,010)	(329,622)	(68,612)
-	-	-	-	-	-	100	79	(21)
43,627	43,627	-	-	-	-	43,627	43,627	-
-	-	-	-	-	-	(96,107)	(83,627)	12,480
-	-	-	-	-	-	41,299	61,160	19,861
43,627	43,627	-	-	-	-	(222,503)	21,239	243,742
-	-	-	(144,239)	(75,697)	68,258	(965,055)	(478,460)	486,595
-	-	-	43,743	43,743	-	988,851	988,851	-
-	-	-	100,496	100,496	-	594,212	594,212	-
\$ -	\$ -	\$ -	\$ -	\$ 68,542	\$ 68,258	\$ 618,008	\$ 1,104,603	\$ 486,595

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:			
Tuition and fees	\$ 1,872	\$ -	\$ 1,872
Sales/charges for services	339,520	-	339,520
Investment earnings	<u>-</u>	<u>2,375</u>	<u>2,375</u>
 Total operating revenues	 <u>341,392</u>	 <u>2,375</u>	 <u>343,767</u>
Operating expenses:			
Personal services	342,028	-	342,028
Contract services	829	4,000	4,829
Materials and supplies	250,387	-	250,387
Depreciation	1,328	-	1,328
Other	<u>100</u>	<u>-</u>	<u>100</u>
 Total operating expenses	 <u>594,672</u>	 <u>4,000</u>	 <u>598,672</u>
Operating loss	<u>(253,280)</u>	<u>(1,625)</u>	<u>(254,905)</u>
Nonoperating revenues:			
Operating grants	205,231	-	205,231
Federal commodities	31,933	-	31,933
Interest revenue	740	-	740
Gain on sale of assets	<u>350</u>	<u>-</u>	<u>350</u>
 Total nonoperating revenues	 <u>238,254</u>	 <u>-</u>	 <u>238,254</u>
Net loss before capital contributions and operating transfers	(15,026)	(1,625)	(16,651)
Capital contributions	7,484	-	7,484
Operating transfers in	<u>40,000</u>	<u>-</u>	<u>40,000</u>
 Net income (loss)	 32,458	 (1,625)	 30,833
Accumulated deficit/fund balance, July 1	<u>(27,195)</u>	<u>52,758</u>	<u>25,563</u>
Retained earnings/fund balance, June 30	<u>\$ 5,263</u>	<u>\$ 51,133</u>	<u>\$ 56,396</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees	\$ 1,872	\$ -	\$ 1,872
Cash received from sales/service charges	340,138	-	340,138
Cash payments for personal services	(336,423)	-	(336,423)
Cash payments for contract services	(829)	(4,000)	(4,829)
Cash payments for materials and supplies	(226,569)	-	(226,569)
Cash payments for other expenses	(100)	-	(100)
Net cash used in operating activities	(221,911)	(4,000)	(225,911)
Cash flows from noncapital financing activities:			
Cash received from operating grants	177,872	-	177,872
Cash received from operating transfers	40,000	-	40,000
Net cash provided by noncapital financing activities	217,872	-	217,872
Cash flows from capital and related financing activities:			
Gain on sale of capital assets	350	-	350
Net cash provided by capital and related financing activities	350	-	350
Cash flows from investing activities:			
Interest received	740	2,375	3,115
Net cash provided by investing activities	740	2,375	3,115
Net decrease in cash and cash equivalents	(2,949)	(1,625)	(4,574)
Cash and cash equivalents at beginning of year	26,318	52,758	79,076
Cash and cash equivalents at end of year	\$ 23,369	\$ 51,133	\$ 74,502
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (253,280)	\$ (1,625)	\$ (254,905)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,328	-	1,328
Federal donated commodities	31,933	-	31,933
Interest reported as operating income	-	(2,375)	(2,375)
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(4,078)	-	(4,078)
Decrease in accounts receivable	618	-	618
Increase in accrued wages and benefits	2,902	-	2,902
Increase in compensated absences payable	1,580	-	1,580
Increase in pension obligation payable	299	-	299
Decrease in deferred revenue	(4,037)	-	(4,037)
Increase in due to other governments	824	-	824
Net cash used in operating activities	\$ (221,911)	\$ (4,000)	\$ (225,911)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Galion City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1847 through the consolidation of existing land areas and districts. The 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 District is 239th largest in the State of Ohio (among 705 districts) in terms of enrollment. It is staffed by 85 non-certificated employees and 163 certificated full-time teaching personnel who provide services to 2,274 students and other community members. The District currently operates 6 instructional buildings and one garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments (the COG)

The COG is a jointly governed organization among 15 districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with computers and other electronic technology to aid administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the member districts. The degree of control exercised by any district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

The PCTC is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, OH 44875-0309.

PUBLIC ENTITY RISK POOLS

Wyandot-Crawford Health Benefit Plan

The District is a member of the Wyandot-Crawford Health Benefit Plan, which is a consortium established between the District, Colonel Crawford Local Schools, Carey Exempted Village Schools, Buckeye Central Local Schools, and Upper Sandusky Exempted Village Schools to act as a common risk management and insurance program. Refer to Note 11.B for further information on this insurance pool.

Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her 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. Refer to Note 11.C for further information on this group rating plan.

B. Basis Of Presentation - Fund Accounting

The 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 District functions or activities.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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 District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the 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 District's governmental fund types:

General Fund - The general fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - The 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).

PROPRIETARY FUNDS

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

Enterprise Funds - The enterprise funds are used to account for 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable 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. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual (See Note 3.B.).

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 District, other than those accounted for in the proprietary or trust funds.

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

C. Measurement Focus and Basis of Accounting

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

All proprietary and nonexpendable 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. 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 District is sixty days after fiscal year end.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenues from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available as an advance. Revenues from grants, entitlements and donations are recognized in the fiscal year in which eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them as when grant monies are received prior to the recognition of qualifying expenditures. In the subsequent period, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 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 and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Crawford County Budget Commission for tax rate determination.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations 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.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.
9. Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 12 provides disclosure of the encumbrances outstanding for the enterprise funds at year end.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

E. Cash and Investments

To improve cash management, all cash received by the 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 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 2002, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment 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, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically authorized by board resolution or statutory requirements. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$65,477 which includes \$16,355 assigned from other District funds.

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 District are considered to be cash equivalents.

F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, inventory at fiscal year end is reported as an asset of the respective fund, and is equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and 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 District maintains a capitalization threshold of five hundred dollars. The District does not have any infrastructure.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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.

H. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2002.

An analysis of interfund transactions is presented in Note 5.

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 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 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 District's termination policy.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The 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 are reported as a liability of the general long term obligations account group until due.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. The District has also received state monies that are restricted for school bus purchases. Fund balance reserves have also been established. See Note 17 for details.

L. Fund Balance Reserves

The 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, materials and supplies inventory, prepayments, tax revenue unavailable for appropriation, principal endowment, textbooks and bus purchase allowance.

The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute. The reserve for principal endowment signifies the legal restrictions on the use of principal.

M. Contributions of Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at year-end. There was \$7,484 in capital contributions received by the enterprise funds in 2002.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

N. Prepayments

Prepayments for governmental funds represent cash disbursements, which have occurred and are, therefore, not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

O. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

P. Nonpublic Schools

Within the District boundaries, nonpublic schools are operated by religious organizations. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic schools by the Treasurer of the District, as directed by the nonpublic schools. The activity of these State monies by the District is reflected in a special revenue fund for financial reporting purposes.

Q. Total Columns on General Purpose Financial Statements

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balance

Fund balances at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 99
Title I	36,773
Miscellaneous Federal Grants	7

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Disadvantaged Pupil Impact Aid, Title I, and Miscellaneous Federal Grants special revenue funds are caused by accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Agency Fund

The following are accruals for the agency fund, which in another fund type, would be recognized in the combined balance sheet:

ASSETS

Accounts receivable	\$1,500
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LIABILITIES

Accounts payable	4,032
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or 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 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 monies are those monies that 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 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 and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and 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).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 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 105 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 year-end, the carrying amount of the District's deposits was \$(169,885) and the bank balance was \$321,237. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. Of the bank balance:

1. \$134,882 was covered by federal depository insurance; and
2. \$186,355 was uninsured and uncollateralized as defined by GASB. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

Investments: Investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized because they are not evidenced by securities that exist in physical or book entry form. The District's only investment was STAR Ohio with a fair value of \$2,331,383.

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

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,161,498	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(2,331,383)</u>	<u>2,331,383</u>
GASB Statement No. 3	<u>\$ (169,885)</u>	<u>\$2,331,383</u>

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$83,627
Debt Service Fund	43,627	-
<u>Enterprise Fund</u>		
Food Service	<u>40,000</u>	<u>-</u>
Total	<u>\$83,627</u>	<u>\$83,627</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 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 varying rates of true value. Real property is assessed at 35 percent of appraised market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on April 1 on the value as of December 31 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was \$174,174,468 rural/residential and public utility real estate represented \$119,355,340 or 68.53% of this total, commercial and industrial real estate represented \$25,678,970 or 14.74% of this total, public utility tangible represented \$5,046,040 or 2.9% of this total and general tangible property represented \$24,094,118 or 13.83% of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$61.63 per \$1,000 of assessed valuation for operations.

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, 2002, are available to finance fiscal year 2002 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, 2002. 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. The amount available as an advance and recorded as revenue at June 30, 2002, was \$1,816,496 in the general fund.

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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principle items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$6,445,511
Accounts	86,694
Due from other governments	34,192
 <u>Special Revenue Funds</u>	
Due from other governments	124,475
 <u>Enterprise Funds</u>	
Due from other governments	27,359

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed asset account group during fiscal year 2002 follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
Land/improvements	\$ 456,215	\$ 294,260	\$ -	\$ 750,475
Buildings/improvements	6,074,520	-	-	6,074,520
Furniture/equipment	2,470,974	304,386	(248,049)	2,527,311
Vehicles	<u>599,428</u>	<u>75,625</u>	<u>-</u>	<u>675,053</u>
 Total	 <u>\$9,601,137</u>	 <u>\$674,271</u>	 <u>\$(248,049)</u>	 <u>\$10,027,359</u>

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$ 200,990
Less: accumulated depreciation	<u>(183,374)</u>
 Net fixed assets	 <u>\$ 17,616</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2002</u>
Energy conservation loan	\$ 19,897	\$ -	\$ (19,897)	\$ -
General obligation bonds	60,188	-	(12,157)	48,031
Boiler replacement bonds	50,178	-	(5,304)	44,874
Pension obligation	91,415	95,376	(91,415)	95,376
Compensated absences	<u>936,944</u>	<u>239,780</u>	<u>(134,097)</u>	<u>1,042,627</u>
Total long term obligations	<u>\$1,158,622</u>	<u>\$335,156</u>	<u>\$(262,870)</u>	<u>\$1,230,908</u>

Energy Conservation Loan - On June 18, 1992, the District issued \$155,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the 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 was retired from the debt service fund. The interest rate is 5.95 percent.

Elevator Construction General Obligation Bonds - On August 25, 1995, the District issued \$115,000 in voted general obligation bonds for the purpose of acquiring and installing an elevator and wheelchair access ramp. 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.

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

- B. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2002, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$18,377	\$ 4,461	\$ 22,838
2004	19,342	3,496	22,838
2005	20,358	2,480	22,838
2006	13,805	1,410	15,215
2007	6,686	908	7,594
2008 - 2009	<u>14,337</u>	<u>850</u>	<u>15,187</u>
Total	<u>\$92,905</u>	<u>\$13,605</u>	<u>\$106,510</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$15,582,797 and an unvoted debt margin of \$174,174.

NOTE 10 - 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-five 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 60 days for certified employees.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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.

Real property and contents are fully insured. Limits of insurance on property and equipment are \$42,198,200.

The umbrella liability policy is \$2,000,000 for each occurrence and \$5,000,000 aggregate.

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

B. Employee Health Insurance

The District has joined together with Carey Exempted Village District, Colonel Crawford Local District, Buckeye Central Local District, and Upper Sandusky Exempted Village District to form the Wyandot-Crawford Health Benefit Plan (WCHBP), a public entity shared risk pool, operating as a common risk management and insurance program for the member Districts. The plan was organized to provide benefit coverage for employees and dependents and designated beneficiaries of such employees.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - RISK MANAGEMENT – (Continued)

The Huntington National Bank serves as trustee for the WCHBP. The District pays an annual premium to the pool for its general insurance coverage. The risk of loss transfers entirely from the District to WCHBP. The Agreement for formation of the WCHBP provides that the WCHBP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

C. Worker's Compensation

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 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.

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies and recreation. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Recreation</u>	<u>Total</u>
Operating revenue	\$ 336,601	\$1,872	\$2,919	\$ 341,392
Operating expenses before depreciation	588,919	1,812	2,613	593,344
Depreciation	1,328	-	-	1,328
Operating income/(loss)	(253,646)	60	306	(253,280)
Operating grants	205,321	-	-	205,321
Federal commodities	31,933	-	-	31,933
Capital contributions	7,484	-	-	7,484
Operating transfers in	40,000	-	-	40,000
Net income	32,092	60	306	32,458
Net working capital	17,031	969	3,793	21,793
Total assets	77,504	969	3,793	82,266
Total liabilities	76,997	-	6	77,003
Total equity	507	969	3,787	5,263
Encumbrances at 6/30/02	2,000	-	-	2,000

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$254,041, \$258,660 and \$264,184, respectively; 49.09 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$129,324 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to members and beneficiaries. 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, 2001, were 9.3 percent of covered payroll for members and 14 percent for employers. 9.5 percent was the portion used to fund pension obligations. 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 District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,116,494, \$1,042,401, and \$1,072,639, respectively; 83.14 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$188,288 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$358,873 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$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.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$173,091 during the 2002 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the 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 – Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types 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:

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other
Financing Uses**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(323,940)	\$(78,823)	\$ -	\$(75,697)
Net adjustment for revenue accruals	520,196	(46,341)	-	(68,400)
Net adjustment for expenditure accruals	(106,953)	15,305	-	29,413
Net adjustment for other financing sources/(uses)	(111,045)	49,885	-	-
Encumbrances (budget basis)	<u>830,438</u>	<u>24,679</u>	<u>-</u>	<u>9,437</u>
GAAP basis	<u>\$ 808,696</u>	<u>\$(35,295)</u>	<u>\$ -</u>	<u>\$(105,247)</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. State School Funding Decision

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 16 – CONTINGENCIES – (Continued)

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

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

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Acquisition</u>	<u>Capital Stabilization</u>	Budget
Set-aside cash balance as of June 30, 2001		\$ 183,426	\$ -	\$ 81,852
Current year set-aside requirement		270,966	270,966	-
Current year offsets		-	-	-
Qualifying disbursements		<u>(445,029)</u>	<u>(270,966)</u>	<u>(81,852)</u>
Total		<u>\$ 9,363</u>	<u>\$ -</u>	<u>\$ -</u>
Balance carried forward to FY 2003		<u>\$ 9,363</u>	<u>\$ -</u>	<u>\$ -</u>

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of restricted assets at June 30, 2002, follows:

Amount restricted for textbooks	\$ 9,363
Amount restricted for school bus purchases	<u>29,650</u>
Total	<u>\$39,013</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$28,146	\$0	\$28,964
School Breakfast	044024-05-PU 01/02	10.553	29,783	0	29,783	0
National School Lunch Program	044024-LL-P1/P4-01/02	10.555	135,600	0	135,600	0
Total U.S. Department of Agriculture - Nutrition Cluster			165,383	28,146	165,383	28,964
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	044024-6BEC-2002 F	84.027	4,032	0	4,028	0
	044024-6B-SF 2001 P		9,357	0	38,810	0
	044024-6B-SF 2002 P		172,135	0	152,413	0
Total Special Education Grants to States			185,524	0	195,251	0
Special Education - Preschool Grant	044024-PG-S1 2001 P	84.173	0	0	1,660	0
	044024-PG-S1 2002 P		13,277	0	11,879	0
Total Special Education - Preschool Grant			13,277	0	13,539	0
Total Special Education Cluster			198,801	0	208,790	0
Title I Grants to Local Educational Agencies	044024-C1-S1 2001	84.010	46,593	0	64,405	0
	044024-C1-S1 2002		372,600	0	349,124	0
	044024-C1-S1 2001 C		16,805	0	16,805	0
Total Title I Grants to Local Educational Agencies			435,998	0	430,334	0
Eisenhower Professional Development State Grants	044024-MS-S1-2001	84.281	1,103	0	5,854	0
	044024-MS-S1-2002		12,751	0	2,776	0
Total Eisenhower Professional Development Sate Grants			13,854	0	8,630	0
Innovative Education Program Strategies	044024-C2-S1-2000	84.298	0	0	673	0
	044024-C2-S1-2001		6,493	0	8,978	0
	044024-C2-S1-2002		12,774	0	10,444	0
Total Innovative Education Program Strategies			19,267	0	20,095	0
Goals 2000 - State and Local Education Systematic Improvement	044024-G2-S2-2001	84.276	0	0	6,504	0
	044024-G2-S2-2002		0	0	12,752	0
Total Goals 2000 - State and Local Education Systematic Improvement			0	0	19,256	0
Safe & Drug-Free Schools and Communities-State Grant	044024-DR-S1 2001	84.186	0	0	1,335	0
	044024-DR-S1 2002		9,025	0	8,225	0
Total Safe & Drug-Free Schools and Communities-State Grant			9,025	0	9,560	0
Reducing Class Size	044024-CR-S1 2000	84.340	41,176	0	1,765	0
	044024-CR-S1 2001		44,173	0	30,482	0
	044024-CR-S1 2002		23,426	0	0	0
Total Reducing Class Size			108,775	0	32,247	0
Passed Through Pioneer Joint Vocatoinal Vocational Education-Basic Grants to States	044024-VE-S1 2002	84.048	448	0	448	0
Total Department of Education			786,168	0	729,360	0
Total Federal Awards			\$951,551	\$28,146	\$894,743	\$28,964

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures summarizes 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, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 Galion City School District, Crawford County, Ohio, (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 17, 2002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2002.

Galion City School District
Crawford County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

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

JIM PETRO
Auditor of State

December 17, 2002



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

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

Compliance

We have audited the compliance of 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, 2002. 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 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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, 2002.

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. However, we noted a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2002.

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.

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

JIM PETRO
Auditor of State

December 17, 2002

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10517-01	Timely Posting and Monitoring of Budgeted Revenues – The Treasurer did not post the estimated revenues to the general ledger until June 2001. The Board reviewed budget versus actual information related to the general fund only, not all funds.	No	Partially Corrected – Timely updating of budgeted amounts to the general ledger is being repeated in the management letter.



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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 13, 2003**