



Mary Taylor, CPA
Auditor of State

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Galion City School District
Crawford County
470 Portland Way North
Galion, Ohio 44833

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galion City School District, Crawford County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Galion City School District, Crawford County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, July 1, 2006 net assets for governmental activities were restated due to an understatement of intergovernmental receivables.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 21, 2007

Galion City School District
Crawford County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of Galion City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2007 are as follows:

In total, net assets increased \$2,385,202, or 5 percent. This was not a significant change.

General revenues were \$17,772,179, or 82 percent of total revenues, and reflect the School District's substantial dependence on property taxes and unrestricted State entitlements.

In August 2003, the voters of the School District approved a 6.84 mill bond levy for school building construction and in May 2005 approved a one-half mill capital maintenance levy. The construction levy provided for the construction of a high school, middle school, two elementary schools, and the renovation of a building for administrative offices. The project is part of the Classroom Facilities Assistance Program offered through the Ohio School Facilities Commission. Construction draws from the Ohio School Facilities Commission occurred during fiscal year 2007. The high school opened at the beginning of the 2007-2008 school year. The middle school will open in January 2008 and the elementary schools will open in March 2008.

In May 2006, the School District was unsuccessful in passing a 4 mill operating levy. The proceeds of this levy were partially to replace the effect of the repeal of a 9.4 mill operating levy in November 2004. Reductions in real estate tax collections due to the repeal were realized in fiscal year 2007. Significant reductions in expenditures were instituted for the 2006-2007 school year because of the defeat of the May 2006 levy.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Galion City School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Galion City School District, the General Fund and Building Improvement and Ohio School Facilities Commission capital project funds are the most significant funds.

Galion City School District
Crawford County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and Building Improvement and Ohio School Facilities Commission capital projects funds.

Governmental Funds - All of the School District's programs are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Galion City School District
Crawford County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1
Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Assets:</u>			
Current and Other Assets	\$29,364,699	\$57,214,110	(\$27,849,411)
Capital Assets, Net	48,999,652	13,551,740	35,447,912
Total Assets	<u>78,364,351</u>	<u>70,765,850</u>	<u>7,598,501</u>
<u>Liabilities:</u>			
Current and Other Liabilities	10,788,198	9,074,985	1,713,213
Long-Term Liabilities	20,084,651	16,584,565	3,500,086
Total Liabilities	<u>30,872,849</u>	<u>25,659,550</u>	<u>5,213,299</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	43,617,369	11,854,875	31,762,494
Restricted	2,537,233	32,644,338	(30,107,105)
Unrestricted	1,336,900	607,087	729,813
Total Net Assets	<u>\$47,491,502</u>	<u>\$45,106,300</u>	<u>\$2,385,202</u>

The above table demonstrates some very significant changes from the prior fiscal year. There was a 49 percent decrease in current and other assets, which can be attributed to a decrease in cash and cash equivalents as well as a decrease in intergovernmental receivables. The decrease in cash and cash equivalents is the result of payments to construction contractors as the building project progressed. The decrease in the intergovernmental receivables results from Ohio School Facilities monies being received and spent on construction. These changes are also reflected in the decrease in restricted net assets. In addition, there was a substantial increase in capital assets and invested in capital assets, the result of construction in progress for the new high school, middle school, and two elementary schools. Lastly, there was a 19 percent increase in current and other liabilities, primarily from contracts payable, again related to construction activities.

Galion City School District
Crawford County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

Table 2
Change in Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$826,781	\$838,854	(\$12,073)
Operating Grants, Contributions, and Interest	2,985,485	2,573,133	412,352
Capital Grants and Contributions	67,604	82,153	(14,549)
Total Program Revenues	<u>3,879,870</u>	<u>3,494,140</u>	<u>385,730</u>
General Revenues			
Property Taxes Levied for General Purposes	5,678,191	5,726,470	(48,279)
Property Taxes Levied for Classroom Facilities Purposes	90,740	80,631	10,109
Property Taxes Levied for Debt Service Purposes	778,110	1,167,373	(389,263)
Payment in Lieu of Taxes	103,503	92,785	10,718
Grants and Entitlements	9,370,249	47,143,248	(37,772,999)
Interest	1,655,178	848,358	806,820
Gifts and Donations	8,059	167	7,892
Miscellaneous	88,149	113,715	(25,566)
Total General Revenues	<u>17,772,179</u>	<u>55,172,747</u>	<u>(37,400,568)</u>
Total Revenues	<u>21,652,049</u>	<u>58,666,887</u>	<u>(37,014,868)</u>
<u>Expenses:</u>			
Instruction:			
Regular	8,001,885	8,889,220	887,335
Special	2,997,575	2,668,313	(329,262)
Vocational	95,297	119,269	23,972
Support Services:			
Pupils	788,940	711,447	(77,493)
Instructional Staff	845,447	877,464	32,017
Board of Education	58,607	60,416	1,809
Administration	1,554,405	1,503,532	(50,873)
Fiscal	450,680	504,015	53,335
Operation and Maintenance of Plant	1,488,470	1,609,005	120,535
Pupil Transportation	714,170	680,963	(33,207)
Central	207,488	252,607	45,119
Non-Instructional Services	686,665	761,210	74,545
Extracurricular Activities	553,480	667,424	113,944
Interest and Fiscal Charges	823,738	661,740	(161,998)
Total Expenses	<u>19,266,847</u>	<u>19,966,625</u>	<u>699,778</u>
Increase in Net Assets	2,385,202	38,700,262	(36,315,060)
Net Assets Beginning of Year - Restated	<u>45,106,300</u>	<u>6,406,038</u>	<u>38,700,262</u>
Net Assets End of Year	<u>\$47,491,502</u>	<u>\$45,106,300</u>	<u>\$2,385,202</u>

For fiscal year 2007, program revenues remained fairly comparable to the prior fiscal year.

Galion City School District
Crawford County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)

On the other hand, general revenues decreased significantly from fiscal year 2006, almost 68 percent. Most general revenues, with the exception of intergovernmental revenues, were comparable to fiscal year 2006. The decrease in intergovernmental revenues is due to Ohio School Facilities Commission resources received in the prior year.

Expenditures remained fairly comparable to fiscal year 2006 with a modest 3.5 percent decrease. The major program expense, as expected, is for instruction, which accounts for 58 percent of all expenses. The instruction program, however, does not include all activities associated with educating students. Services supporting pupils, instructional staff, and pupil transportation programs have a significant role in delivering education. These programs represent approximately 12 percent of total expenses.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$8,001,885	\$8,889,220	\$7,210,820	\$8,155,298
Special	2,997,575	2,668,313	870,308	787,089
Vocational	95,297	119,269	80,113	95,217
Support Services:				
Pupils	788,940	711,447	754,314	704,452
Instructional Staff	845,447	877,464	845,447	877,464
Board of Education	58,607	60,416	58,607	60,416
Administration	1,554,405	1,503,532	1,554,405	1,503,532
Fiscal	450,680	504,015	450,680	504,015
Operation and Maintenance of Plant	1,488,470	1,609,005	1,432,716	1,609,005
Pupil Transportation	714,170	680,963	679,646	599,795
Central	207,488	252,607	207,488	252,607
Non-Instructional Services	686,665	761,210	32,566	117,588
Extracurricular Activities	553,480	667,424	386,129	544,267
Interest and Fiscal Charges	823,738	661,740	823,738	661,740
Total Expenses	<u>\$19,266,847</u>	<u>\$19,966,625</u>	<u>\$15,386,977</u>	<u>\$16,472,485</u>

Galion City School District
Crawford County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)

The total and net cost of services for fiscal year 2007 decreased from fiscal year 2006. Salaries and benefits decreased due to reductions in force implemented during fiscal year 2007. Operation and maintenance of plant decreased from fiscal year 2007 primarily due to decreased utility costs which resulted from a mild winter. Only a very few of the School District's programs receive a significant amount of program revenues to offset their costs. Almost 71 percent of special instruction costs are provided for through various operating grants restricted for special instruction purposes. Over 95 percent of non-instructional services were provided for through program revenues. This is primarily due to cafeteria sales, state and federal subsidies and donated commodities for food service, and for State resources received by the School District on behalf of the parochial school located within the School District.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates an increase in fund balance for the General Fund and Building Improvement capital projects fund and a decrease in fund balance for the Ohio School Facilities Commission capital projects fund. The increase in the General Fund resulted from reductions in expenditures. The Building Improvement fund balance increased as proceeds of bonds exceeded payments to contractors. The Ohio School Facilities Commission capital projects fund balance decreased as contractors were paid for their work.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2007, the School District amended its General Fund budget as needed. For revenues, the changes from the original budget to the final budget were not significant, nor were the changes from the final budget to actual revenues. Changes from original budget to the final budget for expenditures include reductions in benefits, utilities, property insurance, and property tax collection fees. Variances from the final budget to actual expenditures resulted from delay of a bus purchase to next fiscal year, reduced supply purchases in anticipation of moving to new facilities, and reduced benefits costs.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$48,999,652 invested in capital assets (net of accumulated depreciation), an increase of \$35,447,912. This increase is primarily due to construction in progress for a new high school, middle school, and two elementary schools. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Galion City School District
Crawford County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited
(Continued)

Capital Assets and Debt Administration (Continued)

Debt

The School District's outstanding debt at June 30, 2007, consisted of general obligation bonds, in the amount of \$18,787,857. The School District's long-term obligations also include compensated absences and capital leases. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

Current Issues

The School District continues to ask for additional support from taxpayers for operating funds. This need is partially the result of the November 2004 repeal of a 9.4 mill levy which took effect with tax collections in 2006. The School District was unsuccessful in November 2006 and May 2007 with an income tax levy. As the need still exists, the School District will continue to ask for additional support although the type, amount, and timing of a levy have not yet been determined. Because there will be no additional funding in fiscal year 2008, the School District made reductions in expenditures so that fiscal year 2008 will end with a positive cash balance.

Galion City School District is partnering with the Ohio School Facilities Commission to build a new high school, middle school, and two elementary schools. The final sale of bonds for this project occurred in July 2006. Because of the favorable interest rate as compared with the estimated interest rate on the sale of bonds, the Crawford County Budget Commission set the bond millage rate at 3.8 mills for 2007. The rate increased to 4.5 mills for 2008, which is still considerably less than the voted millage of 6.84 mills. Construction continues on this project. The high school and administrative center opened in the fall of 2007. The middle school will open after winter break 2007 and the elementary schools will open after spring break 2008.

Despite reductions in staffing due to decreased revenues, the School District was able to increase its local report card rating to effective from continuous improvement for the 2006-2007 school year. Additionally, Dawsett Elementary School is being recognized as a State Superintendent's School of Promise for the 2006-2007 school year. They are one of only 194 Schools of Promise across the State. These designations reflect the dedication of staff to the students of Galion City Schools.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda M. Kidwell, Treasurer, Galion City School District, 470 Portland Way North, Galion, Ohio 44833-1796.

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Galion City School District
Crawford County

Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$19,988,730
Cash and Cash Equivalents	
with Escrow Agent	968,639
Accounts Receivable	25,890
Intergovernmental Receivable	1,554,527
Prepaid Items	36,887
Inventory Held for Resale	5,660
Materials and Supplies Inventory	9,980
Property Taxes Receivable	6,437,303
Unamortized Issuance Costs	337,083
Nondepreciable Capital Assets	46,695,134
Depreciable Capital Assets, Net	2,304,518
Total Assets	<u>78,364,351</u>
 <u>Liabilities:</u>	
Accounts Payable	196,194
Contracts Payable	3,482,176
Accrued Wages and Benefits Payable	1,610,054
Matured Compensated Absences Payable	103,160
Intergovernmental Payable	549,370
Retainage Payable	1,058,399
Deferred Revenue	3,721,482
Accrued Interest Payable	67,363
Long-Term Liabilities:	
Due Within One Year	395,644
Due in More Than One Year	19,689,007
Total Liabilities	<u>30,872,849</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	43,617,369
Restricted For:	
Debt Service	531,854
Capital Projects	1,424,618
Other Purposes	580,761
Unrestricted	1,336,900
Total Net Assets	<u><u>\$47,491,502</u></u>

See Accompanying Notes to Basic Financial Statements

Galion City School District
Crawford County

Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$8,001,885	\$307,361	\$483,704	\$0
Special	2,997,575	83,758	2,043,509	0
Vocational	95,297	5,640	9,544	0
Support Services:				
Pupils	788,940	0	34,626	0
Instructional Staff	845,447	0	0	0
Board of Education	58,607	0	0	0
Administration	1,554,405	0	0	0
Fiscal	450,680	0	0	0
Operation and Maintenance of Plant	1,488,470	0	0	55,754
Pupil Transportation	714,170	0	22,674	11,850
Central	207,488	0	0	0
Non-Instructional Services	686,665	269,329	384,770	0
Extracurricular Activities	553,480	160,683	6,668	0
Interest and Fiscal Charges	823,738	0	0	0
Total Governmental Activities	<u>\$19,266,847</u>	<u>\$826,771</u>	<u>\$2,985,495</u>	<u>\$67,604</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities Purposes
Property Taxes Levied for Debt Service Purposes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (See Note 3)
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental
Activities

(\$7,210,820)
(870,308)
(80,113)

(754,314)
(845,447)
(58,607)
(1,554,405)
(450,680)
(1,432,716)
(679,646)
(207,488)
(32,566)
(386,129)
(823,738)

(15,386,977)

5,678,191
90,740
778,110
103,503
9,370,249
1,655,178
8,059
88,149

17,772,179

2,385,202

45,106,300

\$47,491,502

Galion City School District
Crawford County

Balance Sheet
Governmental Funds
June 30, 2007

	General	Building Improvement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,017,686	\$3,888,465	\$12,835,763	\$1,234,966	\$19,976,880
Accounts Receivable	14,606	0	0	11,284	25,890
Interfund Receivable	37,734	0	0	0	37,734
Intergovernmental Receivable	112,075	0	1,061,967	380,485	1,554,527
Prepaid Items	5,863	0	31,024	0	36,887
Inventory Held for Resale	0	0	0	5,660	5,660
Materials and Supplies Inventory	8,252	0	0	1,728	9,980
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	11,850	0	0	0	11,850
Cash and Cash Equivalents with Escrow Agent	0	26,493	942,146	0	968,639
Property Taxes Receivable	5,435,312	0	0	1,001,991	6,437,303
Total Assets	<u>\$7,643,378</u>	<u>\$3,914,958</u>	<u>\$14,870,900</u>	<u>\$2,636,114</u>	<u>\$29,065,350</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	17,154	1,100	177,761	179	196,194
Contracts Payable	0	482,623	2,999,553	0	3,482,176
Accrued Wages and Benefits Payable	1,377,378	0	0	232,676	1,610,054
Matured Compensated Absences Payable	0	0	0	103,160	103,160
Interfund Payable	0	0	0	37,734	37,734
Intergovernmental Payable	428,274	0	54,287	66,809	549,370
Retainage Payable	0	3,261	86,499	0	89,760
<u>Liabilities Payable from Restricted Assets:</u>					
Retainage Payable	0	26,493	942,146	0	968,639
Deferred Revenue	3,572,279	0	998,443	869,031	5,439,753
Total Liabilities	<u>5,395,085</u>	<u>513,477</u>	<u>5,258,689</u>	<u>1,309,589</u>	<u>12,476,840</u>
<u>Fund Balances:</u>					
Reserved for Property Taxes	1,985,154	0	0	311,836	2,296,990
Reserved for Bus Purchase	11,850	0	0	0	11,850
Reserved for Encumbrances	168,887	2,414,725	12,730,637	148,448	15,462,697
<u>Unreserved Reported in:</u>					
General Fund	82,402	0	0	0	82,402
Special Revenue Funds	0	0	0	123,329	123,329
Debt Service Fund	0	0	0	631,064	631,064
Capital Projects Funds	0	986,756	(3,118,426)	111,848	(2,019,822)
Total Fund Balances	<u>2,248,293</u>	<u>3,401,481</u>	<u>9,612,211</u>	<u>1,326,525</u>	<u>16,588,510</u>
Total Liabilities and Fund Balances	<u>\$7,643,378</u>	<u>\$3,914,958</u>	<u>\$14,870,900</u>	<u>\$2,636,114</u>	<u>\$29,065,350</u>

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Crawford County

Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007

Total Governmental Fund Balances \$16,588,510

Amounts reported for governmental activities on the
statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 48,999,652

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

Accounts Receivable	123,831	
Intergovernmental Receivable	1,175,609	
Property Taxes Receivable	418,831	
	<u>418,831</u>	1,718,271

Unamortized issuance costs are deferred charges which do
not provide current financial resources and, therefore, are
not reported in the funds. 337,083

Some liabilities are not due and payable in the current
period and, therefore, are not reported in the funds:

Accrued Interest Payable	(67,363)	
General Obligation Bonds Payable	(18,787,857)	
Compensated Absences Payable	(1,210,689)	
Capital Leases Payable	(86,105)	
	<u>(20,152,014)</u>	(20,152,014)

Net Assets of Governmental Activities \$47,491,502

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Crawford County

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Building Improvement	Ohio School Facilities Commission	Other Governmental
<u>Revenues:</u>				
Property Taxes	\$5,659,775	\$0	\$0	\$897,035
Payment in Lieu of Taxes	0	0	0	103,503
Intergovernmental	9,918,931	0	20,203,416	2,294,324
Interest	181,721	235,911	1,186,150	55,630
Tuition and Fees	338,609	0	0	0
Extracurricular Activities	51,545	0	0	102,194
Charges for Services	0	0	0	267,619
Gifts and Donations	4,304	55,754	0	11,423
Miscellaneous	49,271	1,186	2,865	41,781
Total Revenues	<u>16,204,156</u>	<u>292,851</u>	<u>21,392,431</u>	<u>3,773,509</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,665,127	0	0	359,716
Special	1,937,125	0	0	1,042,891
Vocational	85,536	0	0	7,000
Support Services:				
Pupils	749,744	0	0	36,809
Instructional Staff	605,024	0	0	243,862
Board of Education	56,107	0	0	2,500
Administration	1,536,714	0	0	73,014
Fiscal	379,302	36,682	0	25,420
Operation and Maintenance of Plant	1,371,824	0	0	10,291
Pupil Transportation	627,869	0	0	27,218
Central	126,064	0	0	76,448
Non-Instructional Services	737	530	0	671,397
Extracurricular Activities	390,880	0	0	135,363
Capital Outlay	0	3,149,768	32,486,349	36,554
Debt Service:				
Principal Retirement	4,897	0	0	538,686
Interest and Fiscal Charges	1,947	0	0	793,355
Issuance Costs	0	0	0	100,143
Total Expenditures	<u>15,538,897</u>	<u>3,186,980</u>	<u>32,486,349</u>	<u>4,180,667</u>
Excess of Revenues Over (Under) Expenditures	<u>665,259</u>	<u>(2,894,129)</u>	<u>(11,093,918)</u>	<u>(407,158)</u>
<u>Other Financing Sources (Uses):</u>				
Bonds Issued	0	3,897,000	0	0
Premium on Bonds Issued	0	0	0	123,063
Inception of Capital Lease	91,002	0	0	0
Transfers In	0	0	0	189,452
Transfers Out	(189,452)	0	0	0
Total Other Financing Sources (Uses)	<u>(98,450)</u>	<u>3,897,000</u>	<u>0</u>	<u>312,515</u>
Changes in Fund Balances	566,809	1,002,871	(11,093,918)	(94,643)
Fund Balances at Beginning of Year	1,681,484	2,398,610	20,706,129	1,421,168
Fund Balances at End of Year	<u>\$2,248,293</u>	<u>\$3,401,481</u>	<u>\$9,612,211</u>	<u>\$1,326,525</u>

See Accompanying Notes to the Basic Financial Statements

Total
Governmental
Funds

\$6,556,810
103,503
32,416,671
1,659,412
338,609
153,739
267,619
71,481
95,103

41,662,947

8,024,843
2,980,016
92,536

786,553
848,886
58,607
1,609,728
441,404
1,382,115
655,087
202,512
672,664
526,243
35,672,671

543,583
795,302
100,143

55,392,893

(13,729,946)

3,897,000
123,063
91,002
189,452
(189,452)

4,111,065

(9,618,881)

26,207,391

\$16,588,510

Galion City School District
Crawford County

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2007

Changes in Fund Balances - Total Governmental Funds		(\$9,618,881)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year:</p>		
Capital Outlay - Nondepreciable Capital Assets	35,627,009	
Capital Outlay - Depreciable Capital Assets	158,386	
Depreciation	(333,592)	35,451,803
<p>The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities.</p>		
		(3,891)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Property Taxes	(9,769)	
Intergovernmental	(20,060,979)	
Interest	1,710	
Tuition and Fees	58,150	
Extracurricular Activities	(10)	(20,010,898)
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets</p>		
General Obligation Bonds Payable	538,686	
Capital Leases Payable	4,897	543,583
<p>Bond proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets.</p>		
		(3,897,000)
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets</p>		
Accrued Interest Payable	(13,867)	
Annual Accretion on Capital Appreciation Bonds	(16,705)	
Amortization of Premium	21,257	
Unamortized Premium	(123,063)	(132,378)
<p>Issuance costs are reported as an expenditure when paid in the governmental funds, but are amortized over the life of the debt on the statement of activities.</p>		
Amortization of Issuance Costs	(19,121)	
Unamortized Issuance Costs	100,143	81,022
<p>The inception of a capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets.</p>		
		(91,002)
<p>Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.</p>		
		62,844
Change in Net Assets of Governmental Activities		\$2,385,202

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Crawford County

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$5,394,052	\$5,306,734	\$5,450,010	\$143,276
Intergovernmental	10,152,366	9,951,122	9,918,931	(32,191)
Interest	78,750	170,000	182,435	12,435
Tuition and Fees	413,715	356,068	339,840	(16,228)
Extracurricular Activities	25,100	65,100	51,545	(13,555)
Gifts and Donations	0	0	4,304	4,304
Miscellaneous	78,000	39,100	39,481	381
Total Revenues	<u>16,141,983</u>	<u>15,888,124</u>	<u>15,986,546</u>	<u>98,422</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	12,427,661	7,785,408	7,748,617	36,791
Special	770,017	2,009,620	1,972,652	36,968
Vocational	33,256	84,586	87,713	(3,127)
Support Services:				
Pupils	14,450	747,853	747,969	(116)
Instructional Staff	1,526,882	628,136	599,269	28,867
Board of Education	131,980	85,332	64,348	20,984
Administration	326,382	1,489,919	1,499,389	(9,470)
Fiscal	189,167	401,104	380,427	20,677
Operation and Maintenance of Plant	873,477	1,487,959	1,377,163	110,796
Pupil Transportation	189,209	701,064	617,350	83,714
Central	96,390	165,681	125,730	39,951
Non-Instructional Services	0	600	757	(157)
Extracurricular Activities	210	417,313	389,836	27,477
Total Expenditures	<u>16,579,081</u>	<u>16,004,575</u>	<u>15,611,220</u>	<u>393,355</u>
Excess of Revenues Over (Under) Expenditures	<u>(437,098)</u>	<u>(116,451)</u>	<u>375,326</u>	<u>491,777</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	14,000	13,613	(387)
Advances In	80,000	202,600	202,600	0
Advances Out	(120,000)	(202,600)	(204,334)	(1,734)
Transfers Out	(157,094)	(191,890)	(189,452)	2,438
Total Other Financing Sources (Uses)	<u>(197,094)</u>	<u>(177,890)</u>	<u>(177,573)</u>	<u>317</u>
Changes in Fund Balance	(634,192)	(294,341)	197,753	492,094
Fund Balance at Beginning of Year	1,334,016	1,334,016	1,334,016	0
Prior Year Encumbrances Appropriated	308,004	308,004	308,004	0
Fund Balance at End of Year	<u>\$1,007,828</u>	<u>\$1,347,679</u>	<u>\$1,839,773</u>	<u>\$492,094</u>

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Crawford County

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$59,653	\$116,058
<u>Liabilities:</u>		
Undistributed Assets	0	\$16,196
Due to Students	0	99,862
Total Liabilities	0	\$116,058
<u>Net Assets:</u>		
Held in Trust for Scholarships	43,763	
Endowment	15,890	
Total Net Assets	\$59,653	

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Crawford County

Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2007

Additions:

Interest	\$2,932
Gifts and Donations	880
Total Additions	<u>3,812</u>

Deductions:

Non-Instructional Services	<u>3,700</u>
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Change in Net Assets 112

Net Assets at Beginning of Year	<u>59,541</u>
Net Assets at End of Year	<u><u>\$59,653</u></u>

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1847. The School District serves an area of approximately thirty-two square miles and is located in Crawford, Morrow, and Richland Counties. The School District is the 259th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty classified employees, one hundred forty-three certified teaching personnel, and twenty-one administrative employees who provide services to 2,099 students and other community members. The School District currently operates three elementary schools, a middle school, and a high school.

Reporting Entity

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

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

The following activity is included within the School District’s reporting entity:

Within the School District boundaries, St. Joseph Elementary is operated as a private school. Current state legislation provides funding to this parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund for financial reporting purposes by the School District.

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the North Central Ohio Computer Cooperative/Heartland Council of Governments, Pioneer Career and Technology Center, North Central Ohio Special Education Regional Resource Center, North Central Regional Professional Development Center, Metropolitan Educational Council, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Wyandot-Crawford Health Benefit Plan. These organizations are presented in Notes 22 and 23 to the basic financial statements.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

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

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds

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

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

Building Improvement Fund - The Building Improvement capital projects fund accounts for bond proceeds used for the construction of two elementary schools, a middle school, and a high school.

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission capital projects fund accounts for the construction of two elementary schools, a middle school, and a high school.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-related and student-managed activities.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

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

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2007, the School District invested in nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value. Fair value is based on quoted market price or current share price. 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, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$181,721, which includes \$85,053 assigned from other School District funds.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unexpended revenues restricted for bus purchases. Restricted assets in the Building Improvement and Ohio School Facilities Commission capital projects funds represent escrow accounts established for the payment of retainage on construction projects upon completion.

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 60 years
Buildings and Building Improvements	6 - 50 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	5 - 25 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

L. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for athletic and music programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2007, there were no net assets restricted by enabling legislation.

O. Fund Balance Reserves

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, bus purchase, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Bond Premiums and Issuance Costs

On government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the bonds. Issuance costs are recorded as deferred charges.

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

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

R. Estimates

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

Note 3 – Accounting Change and Restatement of Net Assets

In the prior fiscal year, the School District incorrectly recorded intergovernmental receivables.

	Governmental Activities
Net Assets at June 30, 2006	<u>\$23,904,441</u>
Intergovernmental Receivable	<u>21,201,859</u>
Restated Net Assets at June 30, 2006	<u>\$45,106,300</u>

Note 4 - Accountability

At June 30, 2007, the following funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Food Service	\$2,806
Termination Benefits	106,541
EMIS	500
SchoolNet Development	18
Poverty Based Assistance	16,912
Title VI-B	8,915
Early Childhood Special Education	198

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 4 - Accountability (continued)

The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$566,809
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	1,785,717
Accrued FY 2007, Not Yet Received in Cash	(1,989,714)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,818,034)
Accrued FY 2007, Not Yet Paid in Cash	1,822,806

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance
(continued)

Prepaid Items	\$26,328
Materials and Supplies Inventory	(4,662)
Advances In	202,600
Advances Out	(204,334)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(189,763)
Budget Basis	<u><u>\$197,753</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any 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 any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 6 - Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

Investments

As of June 30, 2007, the School District had the following investments:

	Fair Value	Maturity
Federal Home Loan Bank Notes	\$1,021,354	7/30/07
Federal Home Loan Bank Notes	2,027,963	9/4/07
Federal Home Loan Bank Notes	830,023	12/3/07
Federal Home Loan Bank Notes	2,025,222	12/26/07
Federal Home Loan Bank Notes	507,917	2/19/08
Federal Home Loan Bank Notes	253,958	2/19/08
Federal Home Loan Bank Notes	405,769	3/6/08
Federal Home Loan Bank Notes	304,327	3/6/08
Federal Home Loan Mortgage Corporation Notes	1,253,369	7/11/07
Federal Home Loan Mortgage Corporation Notes	1,181,040	10/22/07
Federal Home Loan Mortgage Corporation Notes	1,661,240	12/11/07
Federal Home Loan Mortgage Corporation Notes	855,050	12/11/07
Federal Home Loan Mortgage Corporation Notes	97,350	1/7/08
Federal Home Loan Mortgage Corporation Notes	479,750	4/18/08
Federal National Mortgage Association Notes	822,278	7/25/07
Federal National Mortgage Association Notes	316,192	9/24/07
Federal National Mortgage Association Notes	740,625	9/28/07
Federal National Mortgage Association Notes	504,138	10/30/07
Federal National Mortgage Association Notes	504,138	10/30/07
First American Mutual Fund	47,768	1 day
First American Mutual Fund	23,845	1 day
STAR Ohio	2,232,472	38.56 days
	\$18,095,788	

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 6 - Deposits and Investments (continued)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and First American Mutual Fund carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must consist of obligations listed in item (1) or (2) on page 32 and STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank Notes	\$7,376,533	40.76%
Federal Home Loan Mortgage Corporation Notes	5,527,799	30.55
Federal National Mortgage Association Notes	2,887,371	15.96

Note 7 - Receivables

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), interfund, intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Tuition	\$108,749
Bureau of Workers' Compensation	294
The Ohio State University	410
Crawford County	1,982
Ohio Department of Taxation	640
Total General Fund	112,075

(continued)

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 7 - Receivables (continued)

	<u>Amount</u>
Ohio School Facilities Commission	
Ohio School Facilities Commission	\$1,061,967
Total Major Funds	<u>1,174,042</u>
Nonmajor Funds	
Food Service	50,116
Miscellaneous State Grants	33,776
Title IV-B	98,329
Title I	107,258
Safe and Drug Free Schools	18,906
Title II-A	39,054
CAFS	33,046
Total Nonmajor Funds	<u>380,485</u>
Total Intergovernmental Receivables	<u>\$1,554,527</u>

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 8 - Property Taxes (continued)

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Crawford, Morrow, and Richland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$1,985,154 in the General Fund, \$33,745 in the Classroom Facilities special revenue fund, and \$278,091 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2006, was \$1,775,389 in the General Fund, \$30,462 in the Classroom Facilities special revenue fund, and \$417,786 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$171,040,810	89.18%	\$184,083,980	92.19%
Public Utility	4,005,670	2.09	3,778,380	1.89
Tangible Personal	16,742,813	8.73	11,819,260	5.92
Total Assessed Value	<u>\$191,789,293</u>	<u>100.00%</u>	<u>\$199,681,620</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$64.27		\$61.23	

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 9 - Payment in Lieu of Taxes

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The payment is received annually either as an agreed upon flat amount per year or the amount of estimated taxes that would have been due in that fiscal year. The agreements are for a five to fifteen year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,063,865	\$0	\$0	\$1,063,865
Construction in Progress	10,004,260	35,627,009	0	45,631,269
Total Nondepreciable Capital Assets	11,068,125	35,627,009	0	46,695,134
Depreciable Capital Assets				
Land Improvements	608,272	32,833	0	641,105
Buildings and Building Improvements	6,522,825	0	0	6,522,825
Furniture, Fixtures, and Equipment	653,746	100,415	(18,376)	735,785
Vehicles	1,040,000	25,138	0	1,065,138
Total Depreciable Capital Assets	8,824,843	158,386	(18,376)	8,964,853
Less Accumulated Depreciation				
Land Improvements	(309,161)	(26,096)	0	(335,257)
Buildings and Building Improvements	(5,054,371)	(184,690)	0	(5,239,061)
Furniture, Fixtures, and Equipment	(453,728)	(35,458)	14,485	(474,701)
Vehicles	(523,968)	(87,348)	0	(611,316)
Total Accumulated Depreciation	(6,341,228)	(333,592)	14,485	(6,660,335)
Depreciable Capital Assets, Net	2,483,615	(175,206)	(3,891)	2,304,518
Governmental Activities Capital Assets, Net	\$13,551,740	\$35,451,803	(\$3,891)	\$48,999,652

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$73,052
Special	11,706
Vocational	2,645
Support Services:	
Pupils	1,221
Instructional Staff	3,827
Administration	4,673
Fiscal	2,108
Operation and Maintenance of Plant	110,422
Pupil Transportation	81,874
Central	4,374
Non-Instructional Services	11,355
Extracurricular Activities	26,335
Total Depreciation Expense	<u>\$333,592</u>

Note 11 - Interfund Assets/Liabilities

At June 30, 2007, the General Fund had an interfund receivable, in the amount of \$37,734, from other government funds to provide cash flow resources until sufficient revenues are received in the other governmental funds.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted for the following insurance coverage.

Coverage purchased from the Indiana Insurance Company is as follows:

Buildings and Contents - replacement cost	\$44,602,625
Automobile Liability	1,000,000
General School District Liability	
Per Occurrence	1,000,000
Total per Year	2,000,000
Umbrella Liability	6,000,000

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 12 - Risk Management (continued)

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

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The School District participates in the Wyandot-Crawford Health Benefit Plan (Plan), a public entity shared risk pool consisting of five school districts. The School District pays monthly premiums to the Plan for medical, dental, and life insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 13 - Significant Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remained on these contracts as of June 30, 2007:

Vendor	Contract Amount	Amount Paid as of 6/30/07	Outstanding Balance
Adena Construction	\$19,593,957	\$14,817,476	\$4,776,481
Badger Construction	92,488	48,403	44,085
C.R.M. Inc.	502,535	435,007	67,528
Data Eclipse Inc.	498,000	0	498,000
Exterior Systems	800,159	696,791	103,368
Fanning/Howey and Associates	2,919,777	2,484,930	434,847
Gilbane Building Company	2,843,276	1,495,139	1,348,137
Guenther Mechanical	5,280,186	3,989,871	1,290,315
J & F Construction, Inc.	377,814	284,883	92,931
J.B. & Co.	743,117	640,585	102,532
Martin Public Seating	871,143	0	871,143
Microman, Inc.	793,998	0	793,998
Rhodes Heating & Air	86,180	75,942	10,238
Rietschlin Construction	3,149,970	2,679,152	470,818

(continued)

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 13 - Significant Contractual Commitments (continued)

Vendor	Contract Amount	Amount Paid as of 6/30/07	Outstanding Balance
S.A. Communale	\$279,899	\$200,970	\$78,929
Simonson Construction	6,953,600	4,774,818	2,178,782
Stan & Associates	108,855	31,865	76,990
Studer Electric	75,210	57,960	17,250
Tom Sexton & Associates	532,121	0	532,121
Universal Refrigeration	2,209,399	1,601,072	608,327
Vaughn Industries	7,506,911	5,209,654	2,297,257
Vulcan Enterprises	311,763	221,691	90,072

Note 14 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 14 - Defined Benefit Pension Plans (continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$1,056,636, \$1,064,571, and \$1,199,471, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$13,043 made by the School District and \$17,021 made by plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$194,579, \$198,726, and \$262,532, respectively; 41 percent has been contributed for the fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 15 - Postemployment Benefits

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$82,283.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006 (the latest information available). For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$96,925 for fiscal year 2007.

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, 2006 (the latest information available), were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will not be sufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 16 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred eighty days for certified employees and two hundred seventy days for classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to the maximum of sixty days for certified employees and sixty-seven and one-half days for classified employees.

B. Health Care Benefits

The School District offers medical, dental, and life insurance to most employees through the Wyandot-Crawford Health Benefit Plan. The School District also provides vision insurance through Vision Service Plan. Premiums vary for each employee depending on the terms of the union contracts.

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
School Improvement Bonds					
FY 2004					
Term Bonds 4.25-5%	\$12,105,000	\$0	\$0	\$12,105,000	\$0
Serial Bonds 2-4%	2,785,000	0	180,000	2,605,000	210,000
Capital Appreciation Bonds					
11.42%	110,000	0	0	110,000	0
Accretion on Capital					
Appreciation Bonds	32,257	16,705	0	48,962	0
Premium	257,751	0	10,141	247,610	0
School Improvement Bonds					
FY 2007					
Term Bonds 4.55-5%	0	3,050,000	0	3,050,000	\$0
Serial Bonds 4-4.25%	0	847,000	352,000	495,000	90,000
Premium	0	123,063	11,116	111,947	0

(continued)

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 17 - Long-Term Obligations (continued)

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations (continued)					
Boiler Replacement FY 1999 4.685%	21,024	0	6,686	14,338	7,003
Total General Long-Term Obligations	15,311,032	4,036,768	559,943	18,787,857	307,003
Compensated Absences	1,273,533	70,127	132,971	1,210,689	74,612
Capital Leases	0	91,002	4,897	86,105	14,029
Total Governmental Activities Long-Term Obligations	<u>\$16,584,565</u>	<u>\$4,197,897</u>	<u>\$697,811</u>	<u>\$20,084,651</u>	<u>\$395,644</u>

As of June 30, 2007, the School District had unspent bond proceeds, in the amount of \$12,746,077.

FY 2004 School Improvement Bonds - On March 1, 2004, the School District issued \$16,100,000 in voted general obligation bonds for the construction of two elementary schools, a middle school, and a high school. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$3,885,000 and \$12,105,000, \$110,000, respectively. The bonds were issued for a twenty-seven fiscal year period, with final maturity in fiscal year 2032. The bonds are being retired through the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

Year	Amount
2017	\$430,000
2018	465,000

The remaining principal, in the amount of \$525,000, will be paid at stated maturity on December 1, 2019.

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

Year	Amount
2020	\$565,000

The remaining principal, in the amount of \$605,000, will be paid at stated maturity on December 1, 2021.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 17 - Long-Term Obligations (continued)

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

<u>Year</u>	<u>Amount</u>
2022	\$675,000

The remaining principal, in the amount of \$725,000, will be paid at stated maturity on December 1, 2023.

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

<u>Year</u>	<u>Amount</u>
2024	\$770,000

The remaining principal, in the amount of \$855,000, will be paid at stated maturity on December 1, 2025.

The term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

<u>Year</u>	<u>Amount</u>
2026	\$910,000
2027	965,000
2028	1,055,000
2029	1,110,000
2030	1,175,000

The remaining principal, in the amount of \$1,275,000, will be paid at stated maturity on December 1, 2031.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2013. The maturity amount of the bonds is \$290,000. For fiscal year 2007, \$16,705 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$158,962 at fiscal year end.

FY 2007 School Improvement Bonds - On July 18, 2006, the School District issued \$3,897,000 in voted general obligation bonds for the construction of two elementary schools, a middle school, and a high school. The bond issue included serial and term bonds, in the amount of \$847,000 and \$3,050,000, respectively. The bonds were issued for a twenty-five fiscal year period, with final maturity in fiscal year 2032. The bonds are being retired through the Bond Retirement debt service fund.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 17 - Long-Term Obligations (continued)

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

<u>Year</u>	<u>Amount</u>
2016	\$45,000
2017	50,000
2018	50,000
2019	95,000
2020	95,000
2021	100,000

The remaining principal, in the amount of \$585,000, will be paid at stated maturity on December 1, 2022.

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

<u>Year</u>	<u>Amount</u>
2023	\$160,000

The remaining principal, in the amount of \$330,000, will be paid at stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

<u>Year</u>	<u>Amount</u>
2025	\$225,000

The remaining principal, in the amount of \$460,000, will be paid at stated maturity on December 1, 2026.

The term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

<u>Year</u>	<u>Amount</u>
2027	\$245,000

The remaining principal, in the amount of \$560,000, will be paid at stated maturity on December 1, 2028.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 17 - Long-Term Obligations (continued)

The term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

Year	Amount
2029	\$335,000
2030	350,000

The remaining principal, in the amount of \$1,115,000, will be paid at stated maturity on December 1, 2031.

FY 1999 Boiler Replacement Bonds - On May 21, 1999, the School District issued \$60,000 in unvoted general obligation bonds to replace a boiler. The bonds were issued for a ten year period with final maturity in fiscal year 2009. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences will be paid from the General Fund and the Food Service, Poverty Based Assistance, Title VI-B, Title I, and Title II-A non-major special revenue funds.

The School District's overall debt margin was (\$1,803,440) with an unvoted debt margin of \$184,177 at June 30, 2007. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2007, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2008	\$300,000	\$0	\$0	\$803,783	\$1,103,783
2009	290,000	0	0	796,283	1,086,283
2010	280,000	0	0	788,981	1,068,981
2011	360,000	0	0	779,898	1,139,898
2012	380,000	0	0	768,568	1,148,568
2013-2017	1,490,000	45,000	110,000	3,887,169	5,532,169
2018-2022	0	2,980,000	0	3,175,636	6,155,636
2023-2027	0	4,875,000	0	2,200,198	7,075,198
2028-2032	0	7,255,000	0	835,961	8,090,961
	\$3,100,000	\$15,155,000	\$110,000	\$14,036,477	\$32,401,477

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 17 - Long-Term Obligations (continued)

Fiscal Year Ending	Boiler Replacement	
	Principal	Interest
2008	\$7,003	\$591
2009	7,335	259
Totals	\$14,338	\$850

Note 18 - Capital Leases - Lessee Disclosure

The School District has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The new capital lease is reflected in the accounts "Regular Instruction", "Instructional Staff", "Administration", "Fiscal", and "Inception of Capital Lease" in the fund which will be making the lease payment. Capital leases payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2007 were \$4,897.

	Governmental Activities
Equipment under Capital Lease	\$91,002
Less Accumulated Depreciation	(6,066)
Total June 30, 2007	\$84,936

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007.

Year	Governmental Activities	
	Principal	Interest
2008	\$14,029	\$4,791
2009	16,294	4,237
2010	17,394	3,137
2011	18,568	1,963
2012	19,820	710
Total	\$86,105	\$14,838

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 19 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$196,856)	(\$8,077,960)
Current Year Set Aside Requirement	312,946	312,946
Qualifying Expenditures	(174,082)	(34,671,963)
Balance June 30, 2007	(\$57,992)	(\$42,436,977)
Amount Carried Forward to Fiscal Year 2007	(\$57,992)	(\$42,436,977)

The School District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirements in future fiscal years.

Note 20 - Interfund Transfers

During fiscal year 2007, the General Fund made transfers to other governmental funds, in the amount of \$189,452, to set aside resources for the payment of termination benefits, to move resources as debt payments came due, and to subsidize operations of other funds.

Note 21 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$15,890 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$43,763 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 22 - Jointly Governed Organizations

A. North Central Ohio Computer Cooperative/Heartland Council of Governments

The School District is a participant in the North Central Ohio Computer Cooperative/Heartland Council of Governments (NCOCC), which is a computer consortium. NCOCC is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NCOCC consists of the superintendent from each member school district. During fiscal year 2007, the School District paid \$60,350 to NCOCC for various services. Financial information can be obtained from North Central Ohio Computer Cooperative/Heartland Council of Governments, 27 Ryan Road, Shelby, Ohio 44875.

B. Pioneer Career and Technology Center

The Pioneer Career and Technology Center (Center) is a distinct political subdivision of the State of Ohio which provides vocational education. The Center operates under the direction of a Board consisting of eleven appointed members from the fourteen participating school districts. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Pioneer Career and Technology Center, 27 Ryan Road, Shelby, Ohio 44875.

C. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from the Knox County Educational Service Center, 308 Martinsburg Road, Mt. Vernon, Ohio 43050.

D. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 22 - Jointly Governed Organizations (continued)

E. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred sixty school districts, libraries, and related agencies in thirty-one counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by School Districts. The governing board of the MEC consists of one representative from each member School District. All member School Districts must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 CityGate Drive, Columbus, Ohio 43219.

Note 23 - Insurance Pools

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Wyandot-Crawford Health Benefit Plan

The Wyandot-Crawford Health Benefit Plan (Plan) is a public entity shared risk pool consisting of five school districts. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to employees of the participating school districts. Each participating school districts' superintendent is appointed to the Board of Directors which advises the Trustee, Huntington Trust Company, N.A., concerning aspects of the administration of the Plan.

Each school district decides which benefit program offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Kevin Foltz, Account Manager, 229 Huber Village Boulevard, Westerville, Ohio 43081-5325.

Galion City School District
Crawford County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)

Note 24 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education</i>						
Food Donation	N/A	10.550	-	54,871	-	54,871
Child Nutrition Cluster:						
School Breakfast Program	044024-05PU-2007	10.553	56,641	-	56,641	-
	044024-05PU-2006		16,681	-	16,681	-
Total Schol Breakfast Program			73,322	-	73,322	-
National School Lunch Program	044024-LLP4-2007	10.555	204,467	-	204,467	-
	044024-LLP4-2006		61,905	-	61,905	-
Total National School Lunch Program			266,372	-	266,372	-
Special Milk Program	044024-02PU-2007	10.556	164	-	164	-
	044024-02PU-2006		18	-	18	-
Total Special Milk Program			182	-	182	-
Total Child Nutrition Cluster			339,876	-	339,876	-
Total U.S. Department of Agriculture			339,876	54,871	339,876	54,871
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	044024-6BSF-2006	84.027	66,288	-	66,612	-
	044024-6BSF-2007		555,014	-	534,832	-
Total Special Education Grants to States			621,302	-	601,444	-
Special Education Preschool Grants	044024-PGS1-2006	84.173	-	-	33	-
	044024-PGS1-2007		18,148	-	18,148	-
Total Special Education Preschool Grants			18,148	-	18,181	-
Total Special Education Cluster			639,450	-	619,625	-
Title I Grants to Local Educational Agencies	044024-C1S1-2006	84.010	81,923	-	88,308	-
	044024-C1S1-2007		491,346	-	482,002	-
Total Title I Grants to Local Educational Agencies			573,269	-	570,310	-
State Grants for Innovative Programs	044024-C2S1-2006	84.298	-	-	165	-
	044024-C2S1-2007		3,168	-	2,796	-
Total State Grants for Innovative Programs			3,168	-	2,961	-
Improving Teacher Quality State Grants	044024-TRS1-2006	84.367	13,192	-	17,781	-
	044024-TRS1-2007		108,100	-	89,462	-
Total Improving Teacher Quality State Grants			121,292	-	107,243	-
Safe and Drug-Free Schools and Communities State Grants	044024-DRS1-2006	84.186	600	-	600	-
	044024-DRS1-2007		8,305	-	8,226	-
Total Safe and Drug-Free Schools and Communities State Grants			8,905	-	8,826	-
Education Technology State Grants	044024-TJS1-2006	84.318	7,683	-	8,085	-
	044024-TJS1-2007		5,520	-	3,628	-
Total Education Technology State Grants			13,203	-	11,713	-
Hurricane Education Recovery	044024-HR01-2007	84.938	1,000	-	1,000	-
Total U.S. Department of Education			1,360,287	-	1,321,678	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	34-6400544	93.778	-	-	38,592	-
State Children's Insurance Program	34-6400544	93.767	1,226	-	1,226	-
Total U.S. Department of Health and Human Services			1,226	-	39,818	-
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$1,701,389	\$54,871	\$1,701,372	\$54,871

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Galion City School District
Crawford County
470 Portland Way North
Galion, Ohio 44833

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galion City School District, Crawford County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2007, wherein we noted July 1, 2006 net assets for governmental activities were restated due to an understatement of intergovernmental receivables. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding number 2007-001 is also a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated December 21, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 21, 2007



Mary Taylor, CPA

Auditor of State

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

Galion City School District
Crawford County
470 Portland Way North
Galion, Ohio 44833

To the Board of Education:

Compliance

We have audited the compliance of the Galion City School District, Crawford County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Galion City School District, Crawford County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 21, 2007

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA #84.027 – Special Education Grants to States CFDA #84.173 – Special Education Preschool Grants
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number	2007-001
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**Significant Deficiency / Material Weakness
Financial Reporting**

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

Finding Number	2007-001 (Continued)
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Financial Reporting (Continued)

The following audit adjustments were made to the June 30, 2007 financial statements:

1. Adjustments of \$843,960 to the General Fund and \$174,770 to Remaining Fund Information, totaling \$1,018,730 for Governmental Activities, were made to properly record taxes receivable and related deferred revenue by excluding personal property tax unrelated to the October settlement and excluding personal property phase out amounts received from the State.
2. An adjustment was made in the amount of \$496,181 to properly classify contracts payable as a liability in the Classroom Facilities Fund rather than the Building Improvement Fund.
3. An adjustment in the amount of \$461,638 was made to increase Invested in Capital Assets, Net of Related Debt and to decrease Net Assets Restricted for Capital Projects to properly record the correct amount of bond proceeds that were expended in fiscal year 2007 by excluding amounts representing fiscal year 2008 expenditures totaling \$1,014,464 that were originally included and by including certain fiscal year 2007 expenditures totaling \$552,826 that were originally excluded.

The following unadjusted differences and reclassifications were inconsequential to the overall financial statements of the District and were not posted to the June 30, 2007 financial statements:

1. To record delinquent taxes collected in the available period as revenue rather than deferred revenue in the amount of \$24,572 for the General Fund and \$5,075 for Remaining Fund Information.
2. To reduce retainage payable from restricted assets for the Classroom Facilities Fund and to reduce retainage payable for Governmental Activities in the amount of \$27,113 due to overage amounts in escrow accounts picked up as retainage payable.
3. To record delinquent taxes as revenue rather than deferred revenue for Governmental Activities in the amount of \$57,841 on the entity-wide statements.
4. To reclassify various program revenues to the appropriate classification for Governmental Activities on the statement of activities.
5. To record compensated absences liability for employees for which the incorrect hire date was used for Governmental Activities in the amount of \$31,851.
6. To record unrecorded accounts payable in the amount of \$12,554 for Remaining Fund Information and Governmental Activities and reduce related reserve for encumbrances for Remaining Fund Information.

The audit adjustments and unadjusted differences and reclassifications identified above should be reviewed by the Treasurer, Superintendent, and Board of Education to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the District should develop procedures for the periodic review of the financial statement information to ensure it accurately reflects the District's activity.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

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

Finding Number	2007-001 (Continued)
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Financial Reporting (Continued)

Officials' Response

Galion City School District uses the cash basis of accounting for financial reporting throughout the school year. Ohio Administrative Code requires that external financial statements prepared at year end be reported in conformity with Generally Accepted Accounting Principles (GAAP). Finding number 2007-001 relates to GAAP financial reporting and not to cash basis financial reporting used throughout the school year.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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
MARCH 25, 2008**