



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**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, 2008, 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, 2008, 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, 2007 net assets for governmental activities were restated due to an understatement of payment in lieu of taxes receivable.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2009, 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.

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

February 17, 2009

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

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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, 2008. 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 2008 are as follows:

In total, net assets decreased \$1,409,512, or 3 percent. This was not a significant change.

General revenues were \$19,252,122, or 84 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 2008. The high school opened at the beginning of the 2007-2008 school year. The middle school opened in January 2008 and the elementary schools opened in March 2008.

Since the successful repeal of a continuing current expense levy in November 2004, the School District has tried five times unsuccessfully to replace the dollars repealed. Reductions in staff were instituted for the 2007-2008 school year because of the inability to raise additional operating revenue.

**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 the Ohio School Facilities Commission capital project fund are the most significant funds.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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**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 2008. 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 the Ohio School Facilities Commission capital projects fund.

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, 2008  
UNAUDITED  
(Continued)**

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

	Governmental Activities		
	2008	2007	Change
<u>Assets:</u>			
Current and Other Assets	\$16,178,921	\$29,980,760	(\$13,801,839)
Capital Assets, Net	57,869,868	48,999,652	8,870,216
Total Assets	74,048,789	78,980,412	(4,931,623)
<u>Liabilities:</u>			
Current and Other Liabilities	7,531,911	10,788,198	3,256,287
Long-Term Liabilities	19,818,827	20,084,651	265,824
Total Liabilities	27,350,738	30,872,849	3,522,111
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	40,051,470	43,617,369	(3,565,899)
Restricted	5,576,194	3,153,294	2,422,900
Unrestricted	1,070,387	1,336,900	(266,513)
Total Net Assets	\$46,698,051	\$48,107,563	(\$1,409,512)

The above table demonstrates some very significant changes from the prior fiscal year. There was a 46 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. In addition, there was a substantial increase in capital assets, the result of completion of construction for the new high school, middle school, and two elementary schools. Lastly, there was a 30 percent decrease in current and other liabilities, primarily from a reduction in contracts payable, again related to construction activities being completed.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

Table 2  
Change in Net Assets

	Governmental Activities		
	2008	2007	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$771,764	\$826,781	(\$55,017)
Operating Grants, Contributions, and Interest	2,760,451	2,985,485	(225,034)
Capital Grants and Contributions	84,991	67,604	17,387
Total Program Revenues	<u>3,617,206</u>	<u>3,879,870</u>	<u>(262,664)</u>
General Revenues			
Property Taxes Levied for General Purposes	5,005,051	5,678,191	(673,140)
Property Taxes Levied for Classroom Facilities Purposes	81,993	90,740	(8,747)
Property Taxes Levied for Debt Service Purposes	779,465	778,110	1,355
Payment in Lieu of Taxes	491	719,564	(719,073)
Grants and Entitlements	12,585,241	9,370,249	3,214,992
Interest	544,894	1,655,178	(1,110,284)
Gifts and Donations	55,777	8,059	47,718
Miscellaneous	199,210	88,149	111,061
Total General Revenues	<u>19,252,122</u>	<u>18,388,240</u>	<u>863,882</u>
Total Revenues	<u>22,869,328</u>	<u>22,268,110</u>	<u>601,218</u>
<u>Expenses:</u>			
Instruction:			
Regular	10,316,713	8,001,885	(2,314,828)
Special	3,512,180	2,997,575	(514,605)
Vocational	484,593	95,297	(389,296)
Support Services:			
Pupils	876,921	788,940	(87,981)
Instructional Staff	821,894	845,447	23,553
Board of Education	81,468	58,607	(22,861)
Administration	1,430,944	1,554,405	123,461
Fiscal	446,174	450,680	4,506
Operation and Maintenance of Plant	3,166,160	1,488,470	(1,677,690)
Pupil Transportation	755,726	714,170	(41,556)
Central	203,211	207,488	4,277
Non-Instructional Services	914,502	686,665	(227,837)
Extracurricular Activities	676,464	553,480	(122,984)
Interest and Fiscal Charges	826,890	823,738	(3,152)
Total Expenses	<u>24,513,540</u>	<u>19,266,847</u>	<u>(5,246,993)</u>
Change Before Special Item	(1,644,212)	3,001,263	(4,645,775)
Special Item - Insurance Proceeds	235,000	0	235,000
Increase (Decrease) in Net Assets	<u>(1,409,512)</u>	<u>3,001,263</u>	<u>(4,410,775)</u>
Net Assets Beginning of Year - Restated	<u>48,107,563</u>	<u>45,106,300</u>	<u>3,001,263</u>
Net Assets End of Year	<u>\$46,698,051</u>	<u>\$48,107,563</u>	<u>(\$1,409,512)</u>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Program revenues decreased slightly from the prior fiscal year due to receiving less grant resources, primarily related to regular instruction purposes. General revenues increased slightly from fiscal year 2007. The increase in grants and entitlements can be attributed to two sources. First, there was an addendum to the School District's OSFC grant award which resulted in additional OSFC monies and second, there was an increase in State foundation monies.

Overall, expenses increased over 27 percent from the prior fiscal year. The majority of this increase is reflected within the instruction programs (regular, special, vocational) and the operation and maintenance program. As construction was completed on the School District's new facilities, there were a significant number of asset acquisitions (for example, furniture and small equipment) that were expensed during the year as these items were less than the capitalization threshold of twenty-five hundred dollars. One other expense increase of note is the increase in non-instructional services. Fiscal year 2008 was the first year that the high school students had a closed lunch which increased the number of students purchasing lunches from the cafeteria.

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 10 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.

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$10,316,713	\$8,001,885	\$9,909,838	\$7,210,820
Special	3,512,180	2,997,575	1,369,522	870,308
Vocational	484,593	95,297	450,322	80,113
Support Services:				
Pupils	876,921	788,940	861,567	754,314
Instructional Staff	821,894	845,447	821,894	845,447
Board of Education	81,468	58,607	81,468	58,607
Administration	1,430,944	1,554,405	1,430,944	1,554,405
Fiscal	446,174	450,680	446,174	450,680
Operation and Maintenance of Plant	3,166,160	1,488,470	3,092,928	1,432,716
Pupil Transportation	755,726	714,170	723,657	679,646
Central	203,211	207,488	203,211	207,488
Non-Instructional Services	914,502	686,665	151,441	32,566
Extracurricular Activities	676,464	553,480	526,778	386,129
Interest and Fiscal Charges	826,890	823,738	826,890	823,738
<b>Total Expenses</b>	<b>\$24,513,840</b>	<b>\$19,266,847</b>	<b>\$20,896,634</b>	<b>\$15,386,977</b>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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The total cost and net cost of services for fiscal year 2008 increased from fiscal year 2007. As indicated previously, most of the expense increases are associated with readying the new buildings for occupancy (furniture and equipment). As can be seen from the above table, only a very few of the School District's programs receive a significant amount of program revenues to offset their costs. Approximately 61 percent of special instruction costs are provided for through various operating grants restricted for special instruction purposes. Over 83 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 decreases in fund balance for the General Fund and for the Ohio School Facilities Commission capital projects fund. The decrease in the General Fund was not significant. The Ohio School Facilities Commission capital projects fund balance decreased as the School District completed construction of a new high school, middle school, and two elementary schools.

**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 2008, 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. The same can be said for expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2008, the School District had \$57,869,868 invested in capital assets (net of accumulated depreciation), an increase of \$8,870,216. This increase is primarily due to the completion of construction 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.

**Debt**

The School District's outstanding debt at June 30, 2008, consisted of general obligation bonds, in the amount of \$18,486,538. 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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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**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 August 2008 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 2009, the School District made reductions in expenditures so that fiscal year 2009 will end with a positive cash balance.

In January 2008, four residents of the School District filed a complaint in Crawford County Common Pleas Court to prevent the Board of Education from demolishing the former Galion High School. The causes of action included breach of fiduciary duty, violation of public meetings act and public records act, and unauthorized conduct regarding demolition of the former high school. The Common Pleas Court judge ruled for the Board of Education on breach of fiduciary duty and unauthorized conduct in April 2008. The plaintiffs voluntarily dismissed the remaining counts in July 2008 and the building was demolished.

Fiscal year 2008 was a year of transition for the School District with every student moving to a newly built school building sometime during the year. Despite that fact, two elementary schools earned an excellent rating on their Building 2007-2008 School Year Report Card. Our high school earned an effective rating and continues to improve its graduation rate. Our middle school exceeded the State's Value-Added Measure which reflects the progress made with its students since last school year while earning an effective rating. Parental support of the educational process is reflected by our attendance rate continuing to score above State expectations.

**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, 2008**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,353,152
Cash and Cash Equivalents	
with Escrow Agent	647,802
Accounts Receivable	45,621
Intergovernmental Receivable	812,654
Prepaid Items	4,374
Inventory Held for Resale	7,361
Materials and Supplies Inventory	1,700
Property Taxes Receivable	6,454,287
Payment in Lieu of Taxes Receivable	527,275
Unamortized Issuance Costs	324,695
Nondepreciable Capital Assets	1,018,865
Depreciable Capital Assets, Net	<u>56,851,003</u>
Total Assets	<u>74,048,789</u>
 <u>Liabilities:</u>	
Accounts Payable	11,458
Contracts Payable	799,222
Accrued Wages and Benefits Payable	1,603,328
Matured Compensated Absences Payable	34,352
Intergovernmental Payable	550,767
Retainage Payable	699,048
Deferred Revenue	3,767,050
Accrued Interest Payable	66,686
Long-Term Liabilities:	
Due Within One Year	392,426
Due in More Than One Year	<u>19,426,401</u>
Total Liabilities	<u>27,350,738</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	40,051,470
Restricted For:	
Debt Service	412,330
Capital Projects	4,471,667
Other Purposes	692,197
Unrestricted	<u>1,070,387</u>
Total Net Assets	<u>\$46,698,051</u>

See Accompanying Notes to Basic Financial Statements

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$10,316,713	\$132,436	\$274,439	\$0	(\$9,909,838)
Special	3,512,180	167,450	1,975,208	0	(1,369,522)
Vocational	484,593	5,268	29,003	0	(450,322)
<b>Support Services:</b>					
Pupils	876,921	0	15,354	0	(861,567)
Instructional Staff	821,894	0	0	0	(821,894)
Board of Education	81,468	0	0	0	(81,468)
Administration	1,430,944	0	0	0	(1,430,944)
Fiscal	446,174	0	0	0	(446,174)
Operation and Maintenance of Plant	3,166,160	0	0	73,232	(3,092,928)
Pupil Transportation	755,726	0	23,357	8,712	(723,657)
Central	203,211	0	0	0	(203,211)
Non-Instructional Services	914,502	328,864	434,197	0	(151,441)
Extracurricular Activities	676,464	137,746	8,893	3,047	(526,778)
Interest and Fiscal Charges	826,890	0	0	0	(826,890)
<b>Total Governmental Activities</b>	<b>\$24,513,840</b>	<b>\$771,764</b>	<b>\$2,760,451</b>	<b>\$84,991</b>	<b>(20,896,634)</b>

**General Revenues:**

Property Taxes Levied for General Purposes	5,005,051
Property Taxes Levied for Classroom Facilities Purposes	81,993
Property Taxes Levied for Debt Service Purposes	779,465
Payment in Lieu of Taxes	491
Grants and Entitlements not Restricted to Specific Programs	12,585,241
Interest	544,894
Gifts and Donations	55,777
Miscellaneous	199,210
<b>Total General Revenues</b>	<b>19,252,122</b>
Special Item - Insurance Proceeds	235,000
<b>Total General Revenues and Special Item</b>	<b>19,487,122</b>
<b>Change in Net Assets</b>	<b>(1,409,512)</b>
Net Assets at Beginning of Year - Restated (See Note 3)	48,107,563
<b>Net Assets at End of Year</b>	<b>\$46,698,051</b>

See Accompanying Notes to the Basic Financial Statements



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,999,272	\$3,207,125	\$2,146,755	\$7,353,152
Accounts Receivable	43,806	0	1,815	45,621
Interfund Receivable	40,450	0	0	40,450
Intergovernmental Receivable	12,677	465,269	334,708	812,654
Prepaid Items	4,374	0	0	4,374
Inventory Held for Resale	0	0	7,361	7,361
Materials and Supplies Inventory	0	0	1,700	1,700
<u>Restricted Assets:</u>				
Cash and Cash Equivalents with Escrow Agent	0	647,802	0	647,802
Property Taxes Receivable	5,559,367	0	894,920	6,454,287
Payment in Lieu of Taxes Receivable	0	0	527,275	527,275
<b>Total Assets</b>	<b>\$7,659,946</b>	<b>\$4,320,196</b>	<b>\$3,914,534</b>	<b>\$15,894,676</b>
 <u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$7,130	\$0	\$4,328	\$11,458
Contracts Payable	0	698,713	100,509	799,222
Accrued Wages and Benefits Payable	1,390,558	0	212,770	1,603,328
Matured Compensated Absences Payable	0	0	34,352	34,352
Interfund Payable	0	0	40,450	40,450
Intergovernmental Payable	483,192	0	67,575	550,767
Retainage Payable	0	41,922	9,324	51,246
<u>Liabilities Payable from Restricted Assets:</u>				
Retainage Payable	0	647,802	0	647,802
Deferred Revenue	3,718,434	465,269	1,214,571	5,398,274
<b>Total Liabilities</b>	<b>5,599,314</b>	<b>1,853,706</b>	<b>1,683,879</b>	<b>9,136,899</b>
 <u>Fund Balances:</u>				
Reserved for Property Taxes	1,878,073	0	345,657	2,223,730
Reserved for Encumbrances	333,174	2,345,363	289,548	2,968,085
<u>Unreserved Reported in:</u>				
General Fund (Deficit)	(150,615)	0	0	(150,615)
Special Revenue Funds	0	0	376,131	376,131
Debt Service Fund	0	0	448,597	448,597
Capital Projects Funds	0	121,127	770,722	891,849
<b>Total Fund Balances</b>	<b>2,060,632</b>	<b>2,466,490</b>	<b>2,230,655</b>	<b>6,757,777</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,659,946</b>	<b>\$4,320,196</b>	<b>\$3,914,534</b>	<b>\$15,894,676</b>

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, 2008**

Total Governmental Fund Balances		\$6,757,777
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		57,869,868
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	37,140	
Intergovernmental Receivable	615,264	
Property Taxes Receivable	463,507	
Payment in Lieu of Taxes Receivable	515,313	
		1,631,224
<p>Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.</p>		324,695
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(66,686)	
General Obligation Bonds Payable	(18,486,538)	
Compensated Absences Payable	(1,261,531)	
Capital Leases Payable	(70,758)	
		(19,885,513)
Net Assets of Governmental Activities		\$46,698,051

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, 2008**

	General	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,975,041	\$0	\$846,792	\$5,821,833
Payment in Lieu of Taxes	0	0	101,239	101,239
Intergovernmental	10,587,857	3,140,941	2,173,616	15,902,414
Interest	148,719	238,911	160,506	548,136
Tuition and Fees	390,135	0	0	390,135
Extracurricular Activities	30,879	0	104,667	135,546
Charges for Services	0	0	330,574	330,574
Gifts and Donations	29,648	0	53,384	83,032
Miscellaneous	42,449	0	159,161	201,610
Total Revenues	<u>16,204,728</u>	<u>3,379,852</u>	<u>3,929,939</u>	<u>23,514,519</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,009,650	0	326,643	8,336,293
Special	1,967,906	0	1,006,189	2,974,095
Vocational	62,052	0	8,819	70,871
Support Services:				
Pupils	824,954	0	29,497	854,451
Instructional Staff	600,997	0	188,116	789,113
Board of Education	71,015	0	10,453	81,468
Administration	1,358,259	0	15,165	1,373,424
Fiscal	383,498	11,817	34,423	429,738
Operation and Maintenance of Plant	1,592,982	0	113,867	1,706,849
Pupil Transportation	732,264	0	29,719	761,983
Central	132,994	0	60,278	193,272
Non-Instructional Services	57	0	776,774	776,831
Extracurricular Activities	417,238	0	143,627	560,865
Capital Outlay	0	11,572,230	2,043,974	13,616,204
Debt Service:				
Principal Retirement	15,347	0	307,003	322,350
Interest and Fiscal Charges	5,185	0	804,310	809,495
Total Expenditures	<u>16,174,398</u>	<u>11,584,047</u>	<u>5,898,857</u>	<u>33,657,302</u>
Excess of Revenues Over (Under) Expenditures	<u>30,330</u>	<u>(8,204,195)</u>	<u>(1,968,918)</u>	<u>(10,142,783)</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	0	0	77,050	77,050
Transfers In	0	823,474	217,991	1,041,465
Transfers Out	(217,991)	0	(823,474)	(1,041,465)
Total Other Financing Sources (Uses)	<u>(217,991)</u>	<u>823,474</u>	<u>(528,433)</u>	<u>77,050</u>
Change in Fund Balance Before Special Item	(187,661)	(7,380,721)	(2,497,351)	(10,065,733)
Special Item - Insurance Proceeds	<u>0</u>	<u>235,000</u>	<u>0</u>	<u>235,000</u>
Change in Fund Balance	(187,661)	(7,145,721)	(2,497,351)	(9,830,733)
Fund Balances at Beginning of Year	<u>2,248,293</u>	<u>9,612,211</u>	<u>4,728,006</u>	<u>16,588,510</u>
Fund Balances at End of Year	<u>\$2,060,632</u>	<u>\$2,466,490</u>	<u>\$2,230,655</u>	<u>\$6,757,777</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO STATE OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Changes in Fund Balances - Total Governmental Funds (\$9,830,733)

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

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:

Capital Outlay - Nondepreciable Capital Assets	9,848,753	
Capital Outlay - Depreciable Capital Assets	1,096,476	
Capital Contributions	57,917	
Depreciation	<u>(816,104)</u>	
		10,187,042

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from the Sale of Capital Assets	(77,050)	
Loss on Disposal of Capital Assets	<u>(1,239,776)</u>	
		(1,316,826)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	44,676	
Payment in Lieu of Taxes	(100,748)	
Intergovernmental	(560,345)	
Charges for Services	(1,710)	
Tuition and Fees	<u>(84,981)</u>	
		(703,108)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets

General Obligation Bonds Payable	307,003	
Capital Leases Payable	<u>15,347</u>	
		322,350

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

Accrued Interest Payable	677	
Annual Accretion on Capital Appreciation Bonds	(18,667)	
Amortization of Premium	<u>12,983</u>	
		(5,007)

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.

(12,388)

Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.

(50,842)

Change in Net Assets of Governmental Activities (\$1,409,512)

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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$5,114,485	\$5,002,430	\$5,082,122	\$79,692
Intergovernmental	10,325,551	10,691,055	10,641,687	(49,368)
Interest	130,537	189,000	148,719	(40,281)
Tuition and Fees	339,486	351,534	388,420	36,886
Extracurricular Activities	51,480	42,106	30,879	(11,227)
Gifts and Donations	5,235	16,300	20,195	3,895
Miscellaneous	39,172	29,648	36,931	7,283
Total Revenues	<u>16,005,946</u>	<u>16,322,073</u>	<u>16,348,953</u>	<u>26,880</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,381,759	8,423,296	8,033,689	389,607
Special	2,002,339	1,892,981	1,985,515	(92,534)
Vocational	82,738	83,529	72,562	10,967
Support Services:				
Pupils	797,105	797,105	828,978	(31,873)
Instructional Staff	604,478	598,115	611,847	(13,732)
Board of Education	62,216	62,216	101,345	(39,129)
Administration	1,507,616	1,460,879	1,383,670	77,209
Fiscal	438,539	379,630	389,526	(9,896)
Operation and Maintenance of Plant	1,519,897	1,565,678	1,717,730	(152,052)
Pupil Transportation	773,490	768,289	820,466	(52,177)
Central	180,511	203,037	142,698	60,339
Non-Instructional Services	757	757	57	700
Extracurricular Activities	397,435	397,435	414,355	(16,920)
Total Expenditures	<u>16,748,880</u>	<u>16,632,947</u>	<u>16,502,438</u>	<u>130,509</u>
Excess of Revenues				
Under Expenditures	<u>(742,934)</u>	<u>(310,874)</u>	<u>(153,485)</u>	<u>157,389</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	13,613	8,000	5,094	(2,906)
Advances In	119,000	119,000	57,103	(61,897)
Advances Out	(119,000)	(119,000)	(59,819)	59,181
Transfers Out	(130,970)	(168,608)	(217,991)	(49,383)
Total Other Financing Sources (Uses)	<u>(117,357)</u>	<u>(160,608)</u>	<u>(215,613)</u>	<u>(55,005)</u>
Changes in Fund Balance	(860,291)	(471,482)	(369,098)	102,384
Fund Balance at Beginning of Year	1,839,773	1,839,773	1,839,773	0
Prior Year Encumbrances Appropriated	189,763	189,763	189,763	0
Fund Balance at End of Year	<u>\$1,169,245</u>	<u>\$1,558,054</u>	<u>\$1,660,438</u>	<u>\$102,384</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$56,245</u>	<u>\$78,056</u>
<u>Liabilities:</u>		
Undistributed Assets	0	\$21,937
Due to Students	<u>0</u>	<u>56,119</u>
Total Liabilities	<u>0</u>	<u>\$78,056</u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	40,355	
Endowment	<u>15,890</u>	
Total Net Assets	<u>\$56,245</u>	

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, 2008**

Additions:

Interest	\$1,992
Gifts and Donations	1,200
Total Additions	<u>3,192</u>

Deductions:

Non-Instructional Services	<u>6,600</u>
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Change in Net Assets (3,408)

Net Assets at Beginning of Year 59,653

Net Assets at End of Year \$56,245

See Accompanying Notes to the Basic Financial Statements

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**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**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 266th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-two classified employees, one hundred fifty-two certified teaching personnel, and ten administrative employees who provide services to 2,056 students and other community members. The School District currently operates two 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 non-major special revenue fund for financial reporting purposes by the School District.

The School District participates in three jointly governed organizations and one insurance pool. These organizations are the North Central Ohio Computer Cooperative/Heartland Council of Governments, Pioneer Career and Technology Center, Metropolitan Educational Council, and the Crawford-Wyandot 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, 2008  
(Continued)**

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**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, 2008  
(Continued)**

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**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 Ohio School Facilities Commission capital projects fund.

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.

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 non-instructional staff activities and for student-managed activities.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**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 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, 2008  
(Continued)**

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**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, 2008, but which were levied to finance fiscal year 2009 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, 2008  
(Continued)**

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**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 statement of fund activity, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The statement of fund activity 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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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".

Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2008, the School District invested in nonnegotiable certificates of deposit, mutual funds, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. 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, 2008.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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 2008 was \$148,719, which includes \$28,587 assigned from other School District funds.

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, 2008, 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 Ohio School Facilities Commission capital projects fund 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, 2008  
(Continued)**

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**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	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.

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

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



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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 expenditures 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, 2008, 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 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 and are generally paid from bond proceeds.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period in which the debt is issued.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**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. Special Items**

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The School District received insurance proceeds of \$235,000 in fiscal year 2008 for water damage at the middle school.

**S. 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 - Changes in Accounting Principles and Restatement of Net Assets**

**A. Changes in Accounting Principles**

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$14,130 and \$41,446, respectively, which are the same as the previously reported liabilities.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 3 - Changes in Accounting Principles and Restatement of Net Assets** (continued)

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**B. Restatement of Net Assets**

In the prior fiscal year, the receivable for payment in lieu of taxes was not recorded. However, a long term receivable should be shown for the entire expected future receipts from the payments in lieu of taxes. Therefore this resulted in the following restatement of net assets for Governmental Activities at June 30, 2007:

	Governmental
	<u>Activities</u>
Net Assets at June 30, 2007	\$47,491,502
Payment in Lieu of Taxes Receivable	616,061
Restated Net Assets at June 30, 2007	<u>\$48,107,563</u>

**Note 4 - Accountability**

At June 30, 2008, the following funds had deficit fund balances:

Fund Type/Fund	Deficit
Special Revenue Funds	
Termination Benefits	\$34,352
Auxiliary Services	7,836
EMIS	566
Poverty Based Assistance	350
Title VI-B	48,383
Title I	8,390
Safe and Drug Free Schools	12,139
Early Childhood Special Education	253
Title II-A	2,513

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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (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	(\$187,661)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	1,989,714
Accrued FY 2008, Not Yet Received in Cash	(1,840,395)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,822,806)
Accrued FY 2008, Not Yet Paid in Cash	1,823,859
Prepaid Items	\$1,489
Materials and Supplies Inventory	8,252
Advances In	57,103
Advances Out	(59,819)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(338,834)
Budget Basis	<u><u>(\$369,098)</u></u>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**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;
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' acceptance if training requirements have been met.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 6 - Deposits and Investments** (continued)

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, 2008, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
First American Mutual Fund	\$128	1 day
STAR Ohio	3,716,839	53.8 days
	<u>\$3,716,967</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 First American Mutual Fund carries 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 be rated in the highest category at the time of purchase by at least one nationally recognized standard service and STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 7 - Receivables**

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), interfund, intergovernmental, property taxes, and payment in lieu of 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, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$451,631, will not be received within one year.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 7 - Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Ohio Department of Taxation	\$3,191
Richland County	188
Pioneer Career and Technical Center	2,074
Trimble Local School District	3,612
Wynford Local School District	3,612
Total General Fund	12,677
Ohio Schools Facilities Commission	
Ohio Schools Facilities Commission	465,269
Total Major Funds	477,946
Nonmajor Funds	
Food Service	36
Title VI-B	42,913
Title I	167,303
Title VI	4,571
Safe and Drug Free Schools	16,680
Early Childhood Special Education	300
Title II-A	66,959
Title II-D	1,140
CAFS	34,806
Total Nonmajor Funds	334,708
Total Intergovernmental Receivables	\$812,654

**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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 8 - Property Taxes** (continued)

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 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, 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.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. 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 2008 is 6.25 percent. This will be reduced to 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, 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, 2008, was \$1,878,073 in the General Fund, \$32,335 in the Classroom Facilities special revenue fund, and \$313,322 in the Bond Retirement debt service fund. 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.

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.



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 8 - Property Taxes** (continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$184,083,980	92.19%	\$186,177,510	95.63%
Public Utility	3,778,380	1.89	2,254,350	1.16
Tangible Personal	11,819,260	5.92	6,244,903	3.21
Total Assessed Value	<u>\$199,681,620</u>	<u>100.00%</u>	<u>\$194,676,763</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$61.23		\$61.93	

**Note 9 - Payment in Lieu of Taxes**

According to State law, Crawford County has entered into agreements with a number of property owners under which the County has granted property tax abatements to those property owners. The property owners have agreed to make payments to the County 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 agreements require a portion of these payments to be made to the School District. Each property owner contractually promises 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, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,063,865	\$0	(\$45,000)	\$1,018,865
Construction in Progress	45,631,269	9,848,753	(55,480,022)	0
Total Nondepreciable Capital Assets	<u>46,695,134</u>	<u>9,848,753</u>	<u>(55,525,022)</u>	<u>1,018,865</u>
Depreciable Capital Assets				
Land Improvements	641,105	235,064	(180,141)	696,028
Buildings and Building Improvements	6,522,825	55,480,022	(6,176,718)	55,826,129
Furniture, Fixtures, and Equipment	735,785	849,629	(367,471)	1,217,943
Vehicles	1,065,138	69,700	(49,906)	1,084,932
Total Depreciable Capital Assets	<u>8,964,853</u>	<u>56,634,415</u>	<u>(6,774,236)</u>	<u>58,825,032</u>

(continued)

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 10 - Capital Assets** (continued)

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Less Accumulated Depreciation				
Land Improvements	(\$335,257)	(\$17,800)	\$71,146	(\$281,911)
Buildings and Building Improvements	(5,239,061)	(652,391)	5,049,492	(841,960)
Furniture, Fixtures, and Equipment	(474,701)	(82,798)	331,866	(225,633)
Vehicles	(611,316)	(63,115)	49,906	(624,525)
Total Accumulated Depreciation	<u>(6,660,335)</u>	<u>(816,104)</u>	<u>5,502,410</u>	<u>(1,974,029)</u>
Depreciable Capital Assets, Net	<u>2,304,518</u>	<u>55,818,311</u>	<u>(1,271,826)</u>	<u>56,851,003</u>
Governmental Activities Capital Assets, Net	<u>\$48,999,652</u>	<u>\$65,667,064</u>	<u>(\$56,796,848)</u>	<u>\$57,869,868</u>

During fiscal year 2008, the School District accepted contributions of depreciable capital assets with a fair value of \$57,917.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$399,247
Special	62,594
Vocational	13,049
Support Services:	
Pupils	7,439
Instructional Staff	2,214
Administration	29,000
Fiscal	2,769
Operation and Maintenance of Plant	107,966
Pupil Transportation	58,392
Central	3,942
Non-Instructional Services	93,209
Extracurricular Activities	36,283
Total Depreciation Expense	<u>\$816,104</u>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 11 - Interfund Assets/Liabilities**

At June 30, 2008, the General Fund had an interfund receivable, in the amount of \$40,450, from other government funds to provide cash flow resources until the receipt of grant monies 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 2008, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

Buildings and Contents - replacement cost	\$73,218,362
Automobile Liability	5,000,000
General School District Liability	
Per Occurrence	5,000,000
Total per Year	7,000,000

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.

Workers' compensation coverage is provided by the State of Ohio. The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The School District participates in the Crawford-Wyandot 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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**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, 2008:

Vendor	Contract Amount	Amount Paid as of 6/30/08	Outstanding Balance
Adena Construction	\$19,827,806	\$19,446,389	\$381,417
AJ Riley Co.	376,500	0	376,500
C.R.M., Inc.	499,265	490,097	9,168
Complete Clearing	327,000	0	327,000
Data Eclipse, Inc.	498,000	419,387	78,613
Exterior Systems	800,159	749,488	50,671
Fanning/Howey and Associates	2,919,777	2,783,617	136,160
Gilbane Building Company	2,843,276	2,378,084	465,192
Guenther Mechanical	5,318,834	5,152,524	166,310
J.B. & Co.	743,117	731,531	11,586
LVI Environmental Services	202,620	175,737	26,883
Martin Public Seating	\$885,147	\$870,711	\$14,436
Microman, Inc.	884,838	851,271	33,567
Miller Construction Group	220,500	132,428	88,072
Rietschlin Construction	3,267,484	3,194,614	72,870
S.A. Communale	279,899	264,801	15,098
Simonson Construction	7,218,126	7,143,655	74,471
Stan & Associates	108,855	94,896	13,959
Tom Sexton & Associates	532,121	490,954	41,167
Total Environmental Services	72,565	59,202	13,363
Universal Refrigeration	2,252,588	2,168,825	83,763
Vaughn Industries	7,626,189	7,394,611	231,578
Vulcan Enterprises	132,376	129,197	3,179

**Note 14 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 14 - Defined Benefit Pension Plans** (continued)

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$1,067,567, \$1,056,636, and \$1,064,571 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$8,521 made by the School District and \$12,261 made by the plan members.

**B. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 14 - Defined Benefit Pension Plans** (continued)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$170,089, \$182,190, and \$184,075 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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, 2008, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 15 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$82,776, \$82,283, and \$82,877 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 15 - Postemployment Benefits** (continued)

**B. School Employees Retirement System**

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$114,754.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$77,617, \$60,487, and \$64,239 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$12,255, \$12,389, and \$14,651 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 16 - Other Employee Benefits** (continued)

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 Crawford-Wyandot 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 2008 were as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
School Improvement Bonds					
FY 2004					
Term Bonds 4.25-5%	\$12,105,000	\$0	\$0	\$12,105,000	\$0
Serial Bonds 2-4%	2,605,000	0	210,000	2,395,000	220,000
Capital Appreciation Bonds					
11.42%	110,000	0	0	110,000	0
Accretion on Capital					
Appreciation Bonds	48,962	18,667	0	67,629	0
Premium	247,610	0	10,141	237,469	0
General Obligation Bonds					
(contained)					
School Improvement Bonds					
FY 2007					
Term Bonds 4.55-5%	\$3,050,000	\$0	\$0	\$3,050,000	\$0
Serial Bonds 4-4.25%	495,000	0	90,000	405,000	70,000
Premium	111,947	0	2,842	109,105	0
Boiler Replacement					
FY 1999 4.685%	14,338	0	7,003	7,335	7,335
Total General Obligation Bonds	18,787,857	18,667	319,986	18,486,538	297,335
Compensated Absences	1,210,689	219,337	168,495	1,261,531	80,115
Capital Leases	86,105	0	15,347	70,758	14,976
Total Governmental Activities					
Long-Term Obligations	<u>\$20,084,651</u>	<u>\$238,004</u>	<u>\$503,828</u>	<u>\$19,818,827</u>	<u>\$392,426</u>



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 17 - Long-Term Obligations** (continued)

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, \$12,105,000, and \$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:

<u>Year</u>	<u>Amount</u>
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:

<u>Year</u>	<u>Amount</u>
2020	\$565,000

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

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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**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:

<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 2008, \$18,667 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$177,629 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.

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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 17 - Long-Term Obligations** (continued)

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.

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>
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 Termination Benefits special revenue fund.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 17 - Long-Term Obligations** (continued)

The School District's overall debt margin was (\$545,465) with an unvoted debt margin of \$186,277 at June 30, 2008. 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, 2008, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
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	20,000	0	110,000	942,213	1,072,213
2014-2018	1,470,000	525,000	0	3,637,338	5,632,338
2019-2023	0	3,325,000	0	3,015,811	6,340,811
2024-2028	0	5,260,000	0	1,956,892	7,216,892
2029-2032	0	6,045,000	0	546,710	6,591,710
	\$2,800,000	\$15,155,000	\$110,000	\$13,232,694	\$31,297,694

Fiscal Year Ending	Boiler Replacement	
	Principal	Interest
2009	\$7,335	\$259

**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. 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 fiscal year 2008 were \$15,347.

	Governmental Activities
Equipment under Capital Lease	\$91,002
Less Accumulated Depreciation	(24,267)
Total June 30, 2008	\$66,735

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**Note 18 - Capital Leases - Lessee Disclosure** (continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

Year	Governmental Activities	
	Principal	Interest
2009	\$14,976	\$3,844
2010	17,394	3,137
2011	18,568	1,963
2012	19,820	710
Total	\$70,758	\$9,654

**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 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	(\$57,992)	\$0
Current Year Set Aside Requirement	313,082	313,082
Qualifying Expenditures	(275,038)	(205,157)
Offsets	0	(107,925)
Balance June 30, 2008	(\$19,948)	\$0
Amount Carried Forward to Fiscal Year 2009	(\$19,948)	\$0

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirements in future fiscal years.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 20 - Interfund Transfers**

During fiscal year 2008, the General Fund made transfers to other governmental funds, in the amount of \$217,991, 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. The Building Improvement capital projects fund made a transfer to the Ohio Schools Facilities Commission capital projects fund, in the amount of \$823,474, to pay for costs associated with school construction.

**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 \$40,355 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.

**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 2008, the School District paid \$74,013 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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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**Note 22 - Jointly Governed Organizations** (continued)

**C. 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 the participants. The governing board of the MEC consists of one representative from each member. All members 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 Pool**

The Crawford-Wyandot 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.

**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, 2008.

**B. Litigation**

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

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**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through the Ohio Department of Education</i>					
Food Donation	10.550	\$ -	\$ 56,732	\$ -	\$ 56,732
Child Nutrition Cluster:					
School Breakfast Program	10.553	99,704	-	99,704	-
National School Lunch Program	10.555	365,099	-	365,099	-
Special Milk Program for Children	10.556	260	-	260	-
Total Child Nutrition Cluster		<u>465,063</u>	<u>-</u>	<u>465,063</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>465,063</u></b>	<b><u>56,732</u></b>	<b><u>465,063</u></b>	<b><u>56,732</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through the Ohio Department of Education</i>					
Special Education Cluster:					
Special Education Grants to States	84.027	623,288	-	638,073	-
Special Education Preschool Grants	84.173	16,306	-	16,306	-
Total Special Education Cluster		<u>639,594</u>	<u>-</u>	<u>654,379</u>	<u>-</u>
Title I Grants to Local Educational Agencies	84.010	522,538	-	525,169	-
State Grants for Innovative Programs	84.298	302	-	372	-
Improving Teacher Quality State Grants	84.367	105,398	-	149,561	-
Safe and Drug-Free Schools and Communities State Grants	84.186	10,641	-	22,643	-
Education Technology State Grants	84.318	4,773	-	6,361	-
<b>Total U.S. Department of Education</b>		<b><u>1,283,246</u></b>	<b><u>-</u></b>	<b><u>1,358,485</u></b>	<b><u>-</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities</i>					
State Children's Insurance Program	93.767	3,385	-	262	-
<b>Total U.S. Department of Health and Human Services</b>		<b><u>3,385</u></b>	<b><u>-</u></b>	<b><u>262</u></b>	<b><u>-</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 1,751,694</u></b>	<b><u>\$ 56,732</u></b>	<b><u>\$ 1,823,810</u></b>	<b><u>\$ 56,732</u></b>

*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, 2008**

**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.

**NOTE E – TRANSFERS**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with the Ohio Department of Education's (ODE's) approval, the District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. The District can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, ODE authorized the following transfers:

<u>CFDA #</u>	<u>Program Title</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.027	Special Education Grants to States	2007	\$25,860	
84.027	Special Education Grants to States	2008		\$25,860
84.010	Title I Grants to Local Educational Agencies	2007	\$24,999	
84.010	Title I Grants to Local Educational Agencies	2008		\$24,999
84.298	State Grants for Innovative Programs	2007	\$214	
84.298	State Grants for Innovative Programs	2008		\$214
84.367	Improving Teacher Quality State Grants	2007	\$40,330	
84.367	Improving Teacher Quality State Grants	2008		\$40,330
84.186	Safe & Drug Free Schools and Communities State Grants	2007	\$18,985	
84.186	Safe & Drug Free Schools and Communities State Grants	2008		\$18,985
84.318	Education Technology State Grants	2007	\$194	
84.318	Education Technology State Grants	2008		\$194



# 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2009, wherein we noted the July 1, 2007 net assets for governmental activities were restated due to an understatement of payment in lieu of taxes receivable. 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.

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.

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

### **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 we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated February 17, 2009.

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

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

**Mary Taylor, CPA**  
Auditor of State

February 17, 2009



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. 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, the Galion City School District, Crawford County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

#### 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 the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

February 17, 2009

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Child Nutrition Cluster</u> CFDA #10.553 – School Breakfast Program  CFDA #10.555 – National School Lunch Program  CFDA #10.556 – Special Milk Program  <u>Special Education Cluster</u> CFDA #84.027 – Special Education Grants to States  CFDA #84.173 – Special Education Preschool Grants
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008  
(Continued)**

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

**None**

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

**None**



GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Financial Reporting	Yes	





**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  
APRIL 14, 2009**