



Dave Yost • Auditor of State

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galion City School District, Crawford County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2016

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The discussion and analysis of Galion City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

In total, net position increased \$2,213,601, or less than 13 percent.

General revenues were \$17,503,206, or 77 percent of total revenues, and reflect the School District's substantial dependence on property taxes and unrestricted State entitlements.

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 position 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 Bond Retirement debt service fund are the most significant funds.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015. 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader 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 position and the statement of activities, all of the School District activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Bond Retirement debt service 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.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 and fiscal year 2014:

	Table 1 Net Position		
	Governmental Activities		
<u>Assets</u>	2015	2014	Change
Current and Other Assets	\$13,502,825	\$11,331,796	\$2,171,029
Capital Assets, Net	51,419,212	52,558,424	(1,139,212)
Total Assets	64,922,037	63,890,220	1,031,817
			(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

	Table 1 Net Position (continued)		
	Governmental Activities		
	2015	2014	Change
<u>Deferred Outflows of Resources</u>			
Pension	\$1,425,767	\$1,163,221	\$262,546
Other Amounts	523,187	558,452	(35,265)
Total Deferred Outflows of Resources	<u>1,948,954</u>	<u>1,721,673</u>	<u>227,281</u>
<u>Liabilities</u>			
Current and Other Liabilities	1,817,890	2,057,790	239,900
Long-Term Liabilities			
Pension	19,688,789	23,400,221	3,711,432
Other Amounts	17,758,327	18,747,460	989,133
Total Liabilities	<u>39,265,006</u>	<u>44,205,471</u>	<u>4,940,465</u>
<u>Deferred Inflows of Resources</u>			
Pension	3,568,230	0	(3,568,230)
Other Amounts	4,341,184	3,923,452	(417,732)
Total Deferred Inflows of Resources	<u>7,909,414</u>	<u>3,923,452</u>	<u>(3,985,962)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	35,239,215	35,353,861	(114,646)
Restricted	3,765,687	3,028,921	736,766
Unrestricted (Deficit)	(19,308,331)	(20,899,812)	1,591,481
Total Net Position	<u>\$19,696,571</u>	<u>\$17,482,970</u>	<u>\$2,213,601</u>

During fiscal year 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements. Under the new standards required by GASB Statement No. 68, the net pension liability equals the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows. As a result of implementing GASB Statement No. 68, the School District is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$39,719,970 to \$17,482,970.

Net position increased 13 percent from the prior fiscal year. Current and other assets increased 19 percent, or over \$2 million due, in large part, to additional unrestricted State foundation resources received during fiscal year 2015. In addition, there was an increase in the intergovernmental receivable related to additional Title I funding and an increase in the receivable for property taxes (based on assessed valuation of property). The decrease in net capital assets is primarily due to annual depreciation. The decrease in current and other liabilities is primarily due to two factors; a decrease in accrued wages and benefits payable (due to the payment of insurance prior to fiscal year end-in the prior fiscal year this was a liability at the end of the fiscal year), and a decrease in the intergovernmental payable (there was only a six month liability for workers' compensation at the end of fiscal year 2015 and an eighteen month liability at the end of fiscal year 2014). The decrease in other long-term liabilities was simply the retirement of debt.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal year 2015 and fiscal year 2014.

Table 2
Change in Net Position

	Governmental Activities		
	2015	2014	Change
Revenues:			
Program Revenues			
Charges for Services	\$1,059,468	\$1,071,796	(\$12,328)
Operating Grants, Contributions, and Interest	3,946,559	4,043,195	(96,636)
Capital Grants and Contributions	161,424	0	161,424
Total Program Revenues	5,167,451	5,114,991	52,460
General Revenues			
Property Taxes Levied for General Purposes	4,529,133	4,334,315	194,818
Property Taxes Levied for Classroom Facilities Purposes	70,269	69,545	724
Property Taxes Levied for Debt Service Purposes	1,068,002	1,017,352	50,650
Payment in Lieu of Taxes	36,757	36,757	0
Grants and Entitlements	11,261,819	10,148,536	1,113,283
Interest	10,108	7,626	2,482
Gifts and Donations	4,181	6,679	(2,498)
Miscellaneous	522,937	177,140	345,797
Total General Revenues	17,503,206	15,797,950	1,705,256
Total Revenues	22,670,657	20,912,941	1,757,716
Expenses:			
Instruction:			
Regular	8,895,347	9,098,065	202,718
Special	2,883,339	3,175,947	292,608
Vocational	111,364	131,142	19,778
Support Services:			
Pupils	882,356	939,320	56,964
Instructional Staff	548,394	402,500	(145,894)
Board of Education	95,892	61,116	(34,776)
Administration	1,335,407	1,364,416	29,009
Fiscal	427,253	472,234	44,981
Operation and Maintenance of Plant	1,793,003	1,745,322	(47,681)
Pupil Transportation	832,202	804,157	(28,045)
Central	214,699	183,505	(31,194)
Non-Instructional Services	1,325,563	1,328,341	2,778
Extracurricular Activities	630,892	597,309	(33,583)
Interest and Fiscal Charges	481,345	476,250	(5,095)
Total Expenses	20,457,056	20,779,624	322,568
Increase in Net Position	2,213,601	133,317	2,080,284
Net Position at Beginning of Year	17,482,970	n/a	
Net Position at End of Year	\$19,696,571	\$17,482,970	\$2,213,601

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The information necessary to restate the fiscal year 2014 beginning balance and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$1,163,221 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the fiscal year 2015 statements report pension expense of \$834,123. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed.

Total 2015 Program Expenses under GASB Statement No. 68	\$20,457,056
Pension Expense under GASB Statement No. 68	(834,123)
2015 Contractually Required Contribution	1,239,871
Adjusted 2015 Program Expenses	20,862,804
Total 2014 Program Expenses under GASB Statement No. 27	(20,779,624)
Increase in Program Expenses not Related to Pension	\$83,180

Total revenues increased approximately 8 percent from the prior fiscal year largely due to an increase in unrestricted State foundation funding as well as an increase in property tax revenue and miscellaneous revenue (generally various reimbursements).

Overall, expenses remained similar to the prior fiscal year with an increase of less than 1 percent. 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. The support services including pupils, instructional staff, and pupil transportation programs have a significant role in delivering education.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction:				
Regular	\$8,895,347	\$9,098,065	\$8,103,206	\$8,258,531
Special	2,883,339	3,175,947	79,632	285,765
Vocational	111,364	131,142	96,221	122,448

(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Table 3
Governmental Activities
(continued)

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Support Services:				
Pupils	\$882,356	\$939,320	\$882,356	\$939,320
Instructional Staff	548,394	402,500	548,394	402,500
Board of Education	95,892	61,116	95,892	61,116
Administration	1,335,407	1,364,416	1,335,407	1,364,416
Fiscal	427,253	472,234	427,253	472,234
Operation and Maintenance of Plant	1,793,003	1,745,322	1,793,003	1,745,322
Pupil Transportation	832,202	804,157	744,135	717,931
Central	214,699	183,505	214,699	183,505
Non-Instructional Services	1,325,563	1,328,341	169,981	186,202
Extracurricular Activities	630,892	597,309	318,081	449,093
Interest and Fiscal Charges	481,345	476,250	481,345	476,250
Total Expenses	<u>\$20,457,056</u>	<u>\$20,779,624</u>	<u>\$15,289,605</u>	<u>\$15,664,633</u>

As demonstrated again in the above table, general revenues are relied upon to bear the burden of the costs of programs provided by the School District. In fiscal year 2015, general revenues provided for nearly 75 percent of the costs of programs provided. 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 95 percent of the special instruction costs are provided for through various grants restricted for special instruction purposes. Almost 87 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 a 72 percent increase in the fund balance for the General Fund. Revenues increased \$1.7 million due to additional State foundation resources and an increase in property tax revenue and miscellaneous revenue (reimbursements). Expenditures remained similar to the prior fiscal year with a decrease of less than 2 percent.

The change in fund balance for the Bond Retirement debt service fund was not significant.

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 2015, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, there was a substantial increase from the original budget to the final budget; however, actual expenditures were more in line with original budget estimates.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$51,419,212 invested in capital assets (net of accumulated depreciation). Significant additions include the improvement of the baseball and softball fields and football stadium and a John Deere gator. Disposals were not significant. 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, 2015, consisted of general obligation bonds and capital leases, in the amount of \$16,573,058 and \$223,198, respectively. The School District's long-term obligations also included the net pension liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 17 and 18 to the basic financial statements.

Current Issues

The Administration and Board of Education continue to closely monitor the financial condition of the School District.

During fiscal year 2012, the School District, along with the other school districts in the Crawford-Wyandot Health Benefit Plan, realized significant health insurance expenditures to maintain balances in the shared risk account. Rate changes took effect to offset future shortages. In fiscal year 2013, the School District faced another rate increase in health insurance and in dental insurance premiums and entered into a new contract for vision insurance. The unions (both certified and classified) voted on a less expensive plan that resulted in a savings in both School District and employee contributions. Also during fiscal year 2013, the Galion Education Association voted to increase the employee contribution of insurance benefits to 10 percent of the premium. During fiscal year 2015, the Crawford-Wyandot Health Benefit Plan introduced three new plans for major medical, in addition to the current School District plan. These three new plans were accepted as a Memorandum of Understanding with both unions (classified and certified) on September 17, 2015. The three new plans are in compliance with all Affordable Care Act regulations and guidelines.

In fiscal year 2013, the School District began to see more equipment failure and an increase in maintenance costs. This was expected as all of the new buildings being completed at the same time and equipment wear would occur somewhat evenly. These expenses are expected to continue to increase over time. The School District has a .5 mill levy to help offset these expenses but the levy will not fully fund the expenses over time. In fiscal year 2015, the School District set aside additional General Fund resources as well as permanent improvement resources as mandated by the State of Ohio. The set aside is intended to assist with the building expenses and with vehicle expenses, including school buses; however, overflow permanent improvement costs will need to be absorbed by the General Fund. The School District is looking into a preventative maintenance plan.

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 Charlene Parkinson, Treasurer, Galion City School District, 470 Portland Way North, Galion, Ohio 44833-1796.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,413,010
Accounts Receivable	45,882
Intergovernmental Receivable	737,917
Inventory Held for Resale	17,080
Materials and Supplies Inventory	6,399
Property Taxes Receivable	7,243,055
Payment in Lieu of Taxes Receivable	39,482
Nondepreciable Capital Assets	1,035,289
Depreciable Capital Assets, Net	50,383,923
Total Assets	64,922,037
 <u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	523,187
Pension	1,425,767
Total Deferred Outflows of Resources	1,948,954
 <u>Liabilities:</u>	
Accounts Payable	67,154
Accrued Wages and Benefits Payable	1,303,692
Matured Compensated Absences Payable	28,746
Intergovernmental Payable	382,914
Accrued Interest Payable	35,384
Long-Term Liabilities:	
Due Within One Year	1,004,763
Due in More Than One Year	
Pension	19,688,789
Other Amounts Due in More Than One Year	16,753,564
Total Liabilities	39,265,006
 <u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	4,304,427
Payment in Lieu of Taxes Receivable	36,757
Pension	3,568,230
Total Deferred Inflows of Resources	7,909,414
 <u>Net Position:</u>	
Net Investment in Capital Assets	35,239,215
Restricted For:	
Debt Service	1,459,806
Capital Projects	1,066,165
Food Service	312,073
Classroom Facilities Maintenance	345,295
Special Instruction	436,329
Other Purposes	146,019
Unrestricted (Deficit)	(19,308,331)
Total Net Position	\$ 19,696,571

See Accompanying Notes to Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 8,895,347	\$ 620,617	\$ 171,524	\$ -	\$ (8,103,206)
Special	2,883,339	54,534	2,749,173	-	(79,632)
Vocational	111,364	-	15,143	-	(96,221)
Support Services:					
Pupils	882,356	-	-	-	(882,356)
Instructional Staff	548,394	-	-	-	(548,394)
Board of Education	95,892	-	-	-	(95,892)
Administration	1,335,407	-	-	-	(1,335,407)
Fiscal	427,253	-	-	-	(427,253)
Operation and Maintenance of Plant	1,793,003	-	-	-	(1,793,003)
Pupil Transportation	832,202	-	88,067	-	(744,135)
Central	214,699	-	-	-	(214,699)
Non-Instructional Services	1,325,563	251,927	903,655	-	(169,981)
Extracurricular Activities	630,892	132,390	18,997	161,424	(318,081)
Interest and Fiscal Charges	481,345	-	-	-	(481,345)
Total Governmental Activities	<u>\$ 20,457,056</u>	<u>\$ 1,059,468</u>	<u>\$ 3,946,559</u>	<u>\$ 161,424</u>	<u>(15,289,605)</u>

General Revenues:

Property Taxes Levied for General Purposes	4,529,133
Property Taxes Levied for Classroom Facilities Purposes	70,269
Property Taxes Levied for Debt Service Purposes	1,068,002
Payment in Lieu of Taxes	36,757
Grants and Entitlements not Restricted to Specific Programs	11,261,819
Interest	10,108
Gifts and Donations	4,181
Miscellaneous	522,937
Total General Revenues	<u>17,503,206</u>
Change in Net Position	2,213,601
Net Position at Beginning of Year (Restated - Note 3)	17,482,970
Net Position at End of Year	<u>\$ 19,696,571</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,645,841	\$ 943,671	\$ 1,821,847	\$ 5,411,359
Accounts Receivable	42,382	-	3,500	45,882
Interfund Receivable	110,464	-	-	110,464
Intergovernmental Receivable	175	-	737,742	737,917
Inventory Held for Resale	-	-	17,080	17,080
Materials and Supplies Inventory	1,709	-	4,690	6,399
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	1,651	-	-	1,651
Property Taxes Receivable	5,953,275	1,211,526	78,254	7,243,055
Payment in Lieu of Taxes Receivable	-	-	39,482	39,482
Total Assets	<u>8,755,497</u>	<u>2,155,197</u>	<u>2,702,595</u>	<u>13,613,289</u>
<u>Liabilities:</u>				
Accounts Payable	65,079	-	2,075	67,154
Accrued Wages and Benefits Payable	1,131,115	-	172,577	1,303,692
Matured Compensated Absences Payable	28,746	-	-	28,746
Interfund Payable	-	-	110,464	110,464
Intergovernmental Payable	347,151	-	35,763	382,914
Total Liabilities	<u>1,572,091</u>	<u>-</u>	<u>320,879</u>	<u>1,892,970</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	3,603,230	659,376	41,821	4,304,427
Payment in Lieu of Taxes Receivable	-	-	36,757	36,757
Unavailable Revenue	554,535	118,882	567,577	1,240,994
Total Deferred Inflows of Resources	<u>4,157,765</u>	<u>778,258</u>	<u>646,155</u>	<u>5,582,178</u>
<u>Fund Balances:</u>				
Nonspendable	3,360	-	4,690	8,050
Restricted	-	1,376,939	1,783,370	3,160,309
Committed	29,275	-	-	29,275
Assigned	403,344	-	-	403,344
Unassigned (Deficit)	2,589,662	-	(52,499)	2,537,163
Total Fund Balances	<u>3,025,641</u>	<u>1,376,939</u>	<u>1,735,561</u>	<u>6,138,141</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,755,497</u>	<u>\$ 2,155,197</u>	<u>\$ 2,702,595</u>	<u>\$ 13,613,289</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total Governmental Fund Balances \$ 6,138,141

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 51,419,212

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	39,382	
Intergovernmental Receivable	559,734	
Delinquent Property Taxes Receivable	641,878	
		1,240,994

Deferred outflows of resources includes deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 523,187

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

Accrued Interest Payable	(35,384)	
General Obligation Bonds Payable	(16,573,058)	
Compensated Absences Payable	(962,071)	
Capital Leases Payable	(223,198)	
		(17,793,711)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.

Deferred Outflows - Pension	1,425,767	
Deferred Inflows - Pension	(3,568,230)	
Net Pension Liability	(19,688,789)	
		(21,831,252)

Net Position of Governmental Activities \$ 19,696,571

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, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 4,562,455	\$ 1,078,366	\$ 70,995	\$ 5,711,816
Payment in Lieu of Taxes	-	-	36,757	36,757
Intergovernmental	12,746,748	301,500	2,061,110	15,109,358
Interest	8,197	1,911	749	10,857
Tuition and Fees	655,258	-	-	655,258
Extracurricular Activities	4,175	-	128,215	132,390
Charges for Services	-	-	251,927	251,927
Gifts and Donations	4,181	-	19,094	23,275
Miscellaneous	513,522	-	9,415	522,937
Total Revenues	<u>18,494,536</u>	<u>1,381,777</u>	<u>2,578,262</u>	<u>22,454,575</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,809,270	-	609,031	8,418,301
Special	2,378,022	-	445,458	2,823,480
Vocational	95,242	-	-	95,242
Support Services:				
Pupils	863,750	-	22,171	885,921
Instructional Staff	488,996	-	73,054	562,050
Board of Education	95,291	1,250	-	96,541
Administration	1,360,572	-	16	1,360,588
Fiscal	420,932	31,307	1,997	454,236
Operation and Maintenance of Plant	1,367,993	-	251,948	1,619,941
Pupil Transportation	737,854	-	38,547	776,401
Central	222,037	-	-	222,037
Non-Instructional Services	-	-	1,171,919	1,171,919
Extracurricular Activities	453,983	-	138,388	592,371
Debt Service:				
Principal Retirement	107,865	890,000	-	997,865
Interest and Fiscal Charges	7,582	432,952	-	440,534
Total Expenditures	<u>16,409,389</u>	<u>1,355,509</u>	<u>2,752,529</u>	<u>20,517,427</u>
Excess of Revenues Over (Under) Expenditures	<u>2,085,147</u>	<u>26,268</u>	<u>(174,267)</u>	<u>1,937,148</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	-	-	818,635	818,635
Transfers Out	(818,635)	-	-	(818,635)
Total Other Financing Sources (Uses)	<u>(818,635)</u>	<u>-</u>	<u>818,635</u>	<u>-</u>
Changes in Fund Balances	1,266,512	26,268	644,368	1,937,148
Fund Balances at Beginning of Year	1,759,129	1,350,671	1,091,193	4,200,993
Fund Balances at End of Year	<u>\$ 3,025,641</u>	<u>\$ 1,376,939</u>	<u>\$ 1,735,561</u>	<u>\$ 6,138,141</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 THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Changes in Fund Balances - Total Governmental Funds \$ 1,937,148

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 depreciation exceeds capital outlay in the current fiscal year.

Capital Outlay - Depreciable Capital Assets	83,811	
Capital Contributions	161,424	
Depreciation	<u>(1,373,439)</u>	(1,128,204)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (11,008)

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

Delinquent Property Taxes	(44,412)	
Intergovernmental	79,177	
Tuition and Fees	<u>19,893</u>	54,658

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

General Obligation Bonds	890,000	
Capital Leases	<u>107,865</u>	997,865

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	1,391	
Annual Accretion on Capital Appreciation Bonds	(69,535)	
Amortization of Premium	62,598	
Amortization of Deferred Charge on Refunding	<u>(35,265)</u>	(40,811)

Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds. (1,795)

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (834,123)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows. 1,239,871

Change in Net Position of Governmental Activities \$ 2,213,601

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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$ 4,256,480	\$ 5,188,723	\$ 4,378,243	\$ (810,480)
Intergovernmental	12,299,052	11,499,913	12,746,748	1,246,835
Interest	8,842	7,533	8,197	664
Tuition and Fees	636,615	595,083	655,241	60,158
Extracurricular Activities	3,537	3,766	4,175	409
Gifts and Donations	6,348	5,124	6,181	1,057
Miscellaneous	417,674	403,046	440,011	36,965
Total Revenues	<u>17,628,548</u>	<u>17,703,188</u>	<u>18,238,796</u>	<u>535,608</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,753,622	8,829,349	7,964,374	864,975
Special	2,349,704	2,675,700	2,404,431	271,269
Vocational	96,880	110,322	98,833	11,489
Support Services:				
Pupils	863,094	982,839	880,902	101,937
Instructional Staff	491,247	559,402	509,603	49,799
Board of Education	88,697	101,003	104,415	(3,412)
Administration	1,265,644	1,441,238	1,313,751	127,487
Fiscal	407,667	464,226	419,261	44,965
Operation and Maintenance of Plant	1,337,284	1,522,818	1,643,894	(121,076)
Pupil Transportation	837,508	953,703	889,659	64,044
Central	218,332	248,623	222,345	26,278
Extracurricular Activities	402,549	458,399	411,040	47,359
Public School Support				
Extracurricular Activities	30,000	44,394	28,709	15,685
Student Activities				
Extracurricular Activities	1,469	2,999	1,635	1,364
Total Expenditures	<u>16,143,697</u>	<u>18,395,015</u>	<u>16,892,852</u>	<u>1,502,163</u>
Excess of Revenues Over (Under) Expenditures	<u>1,484,851</u>	<u>(691,827)</u>	<u>1,345,944</u>	<u>2,037,771</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	70,735	66,539	72,694	6,155
Transfers Out	(937,902)	(1,063,716)	(951,435)	112,281
Total Other Financing Sources (Uses)	<u>(867,167)</u>	<u>(997,177)</u>	<u>(878,741)</u>	<u>118,436</u>
Changes in Fund Balance	617,684	(1,689,004)	467,203	2,156,207
Fund Balance at Beginning of Year	1,663,934	1,663,934	1,663,934	-
Prior Year Encumbrances Appropriated	143,583	143,583	143,583	-
Fund Balance at End of Year	<u>\$ 2,425,201</u>	<u>\$ 118,513</u>	<u>\$ 2,274,720</u>	<u>\$ 2,156,207</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 246,998	\$ 53,929
<u>Liabilities:</u>		
Undistributed Assets	-	\$ 15,472
Due to Students	-	38,457
Total Liabilities	-	\$ 53,929
<u>Net Position:</u>		
Held in Trust for Scholarships	231,108	
Endowment	15,890	
Total Net Position	\$ 246,998	

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Additions:

Interest	\$	1,858
Gifts and Donations		500
Total Additions		<u>2,358</u>

Deductions:

Non-Instructional Services		<u>21,318</u>
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Change in Net Position (18,960)

Net Position at Beginning of Year 265,958

Net Position at End of Year \$ 246,998

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, 2015**

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. It is staffed by eighty-eight classified employees, one hundred thirty-five certified teaching personnel, and fourteen administrative employees who provide services to 1,942 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 ensure 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Galion City School District.

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

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

The School District participates in three jointly governed organizations and two insurance pools. These organizations are the North Central Ohio Computer Cooperative/Heartland Council of Governments, Pioneer Career and Technology Center, Metropolitan Educational Technology Association, Ohio School Plan, and the Crawford-Wyandot Health Benefit Plan. These organizations are presented in Notes 23 and 24 to the basic financial statements.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Galion City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for 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 position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, 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, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes and related revenues restricted for the payment of principal and interest on general obligation bonds.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are 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.

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 position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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, includes 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 outflows and deferred inflows of resources, 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.

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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Pension is explained in Note 14 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 14 to the basic financial statements.

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, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

F. Cash and Investments

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

During fiscal year 2015, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. 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 net asset value per share, which is the price the investment could be sold for on June 30, 2015.

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 2015 was \$8,197, which includes \$1,512 assigned from other School District funds.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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

G. Inventory

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

H. 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Unclaimed monies that have a legal restriction on their use are reported as restricted.

I. 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 position 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.

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	20 - 50 years
Furniture, Fixtures, and Equipment	4 - 40 years
Vehicles	10 - 15 years

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

J. Interfund Assets/Liabilities

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

K. Deferred Charge on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

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. 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, net pension liability and 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

N. Bond Premiums

On government-wide financial statements, bond premiums 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.

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

O. Capital Contributions

Capital contributions arise from contributions of capital assets from outside sources.

P. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for athletic and music programs and federal and state grants. 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 position is available.

Q. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

R. 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.

S. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

T. 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 3 - Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows and deferred inflows of resources, and pension expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported on June 30, 2014.

Net Position June 30, 2014	\$39,719,970
Net Pension Liability	(23,400,221)
Deferred Outflows - Payments Subsequent to Measurement Date	1,163,221
Restated Net Position June 30, 2014	<u>\$17,482,970</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred outflows or deferred inflows of resources as the information needed to generate these restatements was not available.

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2015, the following funds had deficit fund balances:

Fund Type/Fund	Deficit
Special Revenue Funds	
Title VI-B	\$18,896
Title II-D	243
Title I	24,175
Title II-A	6,685
State Personnel Development	2,500

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.

B. Compliance

The Lunchroom and OSFC Maintenance special revenue funds had appropriations in excess of estimated resources plus available balances, in the amount of \$73,663 and \$166,170, respectively, for the fiscal year ended June 30, 2015. The Treasurer will monitor budgetary transactions to ensure that appropriations are within amounts available.

The Auxiliary Services special revenue fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$2,591, for the fiscal year ended June 30, 2015. The Treasurer will monitor budgetary transactions to ensure that expenditures are within amounts appropriated.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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 restricted, committed, or assigned 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	\$1,266,512
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2014, Received in Cash FY 2015	1,655,021
Accrued FY 2015 Not Yet Received in Cash	(1,838,067)
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(1,732,610)
Accrued FY 2015, Not Yet Paid in Cash	1,572,091
Materials and Supplies Inventory	206
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses into Financial Statement Fund Types	(\$40,482)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(415,468)
Budget Basis	<u>\$467,203</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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.

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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2015 the fair value of funds on deposit with STAR Ohio was \$1,790. The School District's investments in STAR Ohio have an average maturity of 53.4 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with interest rate or credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2015, 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, 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. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Fund	
General Fund	
North Central Ohio Educational Service Center	\$175
Other Governmental Funds	
Race to the Top	\$43,932
Title VI-B	175,269
Title I	441,121
Title II-A	47,364
REAP	25,158
State Personnel Development	4,898
Total Other Governmental Funds	737,742
Total Intergovernmental Receivables	\$737,917

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, 2015
(Continued)**

Note 8 - Property Taxes (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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.

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2015, 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 inflows of resources - property taxes.

The amount available as an advance at June 30, 2015, was \$1,834,892 in the General Fund, \$28,590 in the Classroom Facilities special revenue fund, and \$433,268 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2014, was \$1,650,680 in the General Fund, \$25,679 in the Classroom Facilities special revenue fund, and \$387,309 in the Bond Retirement debt service fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$156,006,580	98.37%	\$156,667,040	98.15%
Public Utility	2,586,530	1.63	2,957,920	1.85
Total Assessed Value	\$158,593,110	100.00%	\$159,624,960	100.00%
Tax rate per \$1,000 of assessed valuation	\$60.28		\$60.28	

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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 exemptions 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 exempted. 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, 2015, was as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$873,865	\$0	\$0	\$873,865
Construction in Progress	0	161,424	0	161,424
Total Nondepreciable Capital Assets	<u>873,865</u>	<u>161,424</u>	<u>0</u>	<u>1,035,289</u>
Depreciable Capital Assets				
Land Improvements	716,144	0	0	716,144
Buildings and Building Improvements	57,572,632	0	0	57,572,632
Furniture, Fixtures, and Equipment	1,363,777	83,811	(14,836)	1,432,752
Vehicles	1,380,247	0	(24,745)	1,355,502
Total Depreciable Capital Assets	<u>61,032,800</u>	<u>83,811</u>	<u>(39,581)</u>	<u>61,077,030</u>
Less Accumulated Depreciation				
Land Improvements	(351,189)	(23,785)	0	(374,974)
Buildings and Building Improvements	(7,693,370)	(1,154,743)	0	(8,848,113)
Furniture, Fixtures, and Equipment	(729,241)	(114,057)	11,251	(832,047)
Vehicles	(574,441)	(80,854)	17,322	(637,973)
Total Accumulated Depreciation	<u>(9,348,241)</u>	<u>(1,373,439)</u>	<u>28,573</u>	<u>(10,693,107)</u>
Depreciable Capital Assets, Net	<u>51,684,559</u>	<u>(1,289,628)</u>	<u>(11,008)</u>	<u>50,383,923</u>
Governmental Activities Capital Assets, Net	<u>\$52,558,424</u>	<u>(\$1,128,204)</u>	<u>(\$11,008)</u>	<u>\$51,419,212</u>

During fiscal year 2015, the School District accepted contributions of nondepreciable capital assets from outside sources with a fair value of \$161,424.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$660,723
Special	122,381
Vocational	16,122
Support Services:	
Pupils	14,466
Instructional Staff	768
Administration	37,101
Fiscal	4,967
Operation and Maintenance of Plant	187,855
Pupil Transportation	85,490
Central	548
Non-Instructional Services	190,072
Extracurricular Activities	52,946
Total Depreciation Expense	<u>\$1,373,439</u>

Note 11 - Interfund Receivables/Payables

At June 30, 2015, the General Fund had an interfund receivable, in the amount of \$110,464, from other governmental funds for short-term loans made to those funds. These amounts are expected to be repaid within one year.

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 2015, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

Buildings and Contents - replacement cost	\$75,857,122
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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 12 - Risk Management (continued)

For fiscal year 2015, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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.

Note 13 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2016 were as follows:

General Fund	\$415,468
Other Governmental Funds	73,617
Total	<u><u>\$489,085</u></u>

Note 14 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation, including pension.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services, and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service over thirty years. Final average salary is the average of the highest three years of salary.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining .82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$266,267 for fiscal year 2015. Of this amount, \$44,217 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307. The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

The CP offers features of both the DBP and the DCP. In the CP, member contributions are allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent on July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$973,604 for fiscal year 2015. Of this amount, \$151,764 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,271,698	\$16,417,091	\$19,688,789
Proportion of the Net Pension Liability	.06464600%	.06749488%	
Pension Expense	\$188,049	\$646,074	\$834,123

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$27,846	\$158,050	\$185,896
School District contributions subsequent to the measurement date	266,267	973,604	1,239,871
Total Deferred Outflows of Resources	\$294,113	\$1,131,654	\$1,425,767
 Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$531,006	\$3,037,224	\$3,568,230

\$1,239,871 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2016	(\$125,720)	(\$719,793)	(\$845,513)
2017	(125,720)	(719,793)	(845,513)
2018	(125,720)	(719,793)	(845,513)
2019	(126,000)	(719,795)	(845,795)
Total	(\$503,160)	(\$2,879,174)	(\$3,382,334)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2014, are presented below.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

For postretirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00%</u>	

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$4,667,740	\$3,271,698	\$2,097,505

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males' ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back for age ninety and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study effective July 1, 2012.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

The ten year expected real rate of return on pension plan investments was determined by the STRS investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$23,502,855	\$16,417,091	\$10,424,918

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

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, 2015, 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

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS' website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, .82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$34,070. The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$16,332, \$2,444, and \$2,685, respectively. For fiscal year 2015, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 15 - Postemployment Benefits (continued)

State Teachers Retirement System (STRS)

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the health care plan. All benefit recipients for the most recent year pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$70,000, and \$72,549 respectively. The full amount has been contributed for all three fiscal years.

Note 16 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

**GALION CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Restated Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
School Improvement Bonds FY 2007					
Serial Bonds 4-4.25%	\$40,000	\$0	\$20,000	\$20,000	\$20,000
Premium	1,263	0	632	631	0
Energy Conservation Bonds FY 2011					
Serial Bonds 4.25%	450,000	0	40,000	410,000	40,000
School Improvement Refunding Bonds FY 2013					
Serial Bonds 1-3%	8,835,000	0	245,000	8,590,000	590,000
Capital Appreciation Bonds 14.52%	230,000	0	0	230,000	0
Accretion on Capital Appreciation Bonds	18,517	37,395	0	55,912	0
Premium	361,222	0	9,763	351,459	0
School Improvement Refunding Bonds FY 2014					
Term Bonds 2.25-4%	1,905,000	0	0	1,905,000	0
Serial Bonds 1-4%	4,855,000	0	585,000	4,270,000	190,000
Capital Appreciation Bonds 14.52%	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	4,389	32,140	0	36,529	0
Premium	615,730	0	52,203	563,527	0
Total General Obligation Bonds	<u>17,456,121</u>	<u>69,535</u>	<u>952,598</u>	<u>16,573,058</u>	<u>840,000</u>
Net Pension Liability					
SERS	3,844,290	0	572,592	3,271,698	0
STRS	19,555,931	0	3,138,840	16,417,091	0
Total Net Pension Liability	<u>23,400,221</u>	<u>0</u>	<u>3,711,432</u>	<u>19,688,789</u>	<u>0</u>
Compensated Absences	960,276	109,118	107,323	962,071	54,427
Capital Leases	331,063	0	107,865	223,198	110,336
Total Governmental Activities Long-Term Obligations	<u>\$42,147,681</u>	<u>\$178,653</u>	<u>\$4,879,218</u>	<u>\$37,447,116</u>	<u>\$1,004,763</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 17 - Long-Term Obligations (continued)

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 original 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. During fiscal year 2014, the term bonds, in the amount of \$3,050,000, were refunded with the proceeds of the fiscal year 2014 school improvement refunding bonds.

FY 2011 Energy Conservation Bonds - On November 16, 2010, the School District issued \$566,044 in unvoted general obligation bonds for modifications and remodeling of the School District buildings to conserve energy. The bond issue included serial bonds, in the original amount of \$566,044. The bonds were issued for a fifteen fiscal year period, with final maturity in fiscal year 2026. The bonds are being retired through the Bond Retirement debt service fund.

The bonds are subject to extraordinary optional redemption, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date in the event that the Build America payments from the federal government cease or are in an amount less than 35 percent of the corresponding interest payable on the bonds.

FY 2013 School Improvement Refunding Bonds - On June 13, 2013, the School District issued bonds, in the amount of \$9,300,000, to partially refund bonds previously issued in fiscal year 2004 for the construction of two elementary schools, a middle school, and a high school. The refunding bond issue included serial and capital appreciation bonds, in the original amount of \$9,070,000 and \$230,000, respectively. The bonds were issued for a sixteen fiscal year period, with final maturity in fiscal year 2029. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds maturing on or after December 1, 2021, are subject to prior redemption on or after June 1, 2021, by and at the sole option of the School District, either in whole or in part on any interest payment date and in integral multiples of \$5,000, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2020. The maturity amount of the bonds is \$655,000. For fiscal year 2015, \$37,395 was accreted on the capital appreciation bonds for a total value of \$285,912 at fiscal year end. The refunded bonds are fully retired.

FY 2014 School Improvement Refunding Bonds - On May 7, 2014, the School District issued bonds, in the amount of \$6,900,000, to currently refund bonds previously issued in fiscal year 2004 for the construction of two elementary schools, a middle school, and a high school, and to partially advance refund bonds previously issued in fiscal year 2007 for the construction of two elementary schools, a middle school, and a high school. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$4,855,000, \$1,905,000 and \$140,000, respectively. The bonds were issued for an eighteen fiscal year period, with final maturity in fiscal year 2032. The bonds are being retired through the Bond Retirement debt service fund.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 17 - Long-Term Obligations (continued)

The serial bonds maturing on or after December 1, 2024, are subject to prior redemption on or after June 1, 2024, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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>
2020	\$90,000
2021	90,000

The remaining principal, in the amount of \$70,000, will be paid at stated maturity on December 1, 2022.

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

<u>Year</u>	<u>Amount</u>
2023	\$240,000

The remaining principal, in the amount of \$250,000, 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	\$275,000

The remaining principal, in the amount of \$280,000, 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	\$290,000

The remaining principal, in the amount of \$320,000, will be paid at stated maturity on December 1, 2028.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 17 - Long-Term Obligations (continued)

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2020 through 2023. The maturity amount of the bonds is \$570,000. For fiscal year 2015, \$32,140 was accreted on the capital appreciation bonds for a total value of \$176,529 at fiscal year end.

As of June 30, 2015, \$3,050,000 of the refunded bonds was still outstanding.

The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 14 to the basic financial statements.

Compensated absences will be paid from the General Fund.

Capital leases will be paid from the General Fund.

The School District's overall debt margin was (\$75,451) with an unvoted debt margin of \$156,807 at June 30, 2015. 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, 2015, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2016	\$840,000	\$0	\$0	\$417,964	\$1,257,964
2017	855,000	0	0	403,339	1,258,339
2018	865,000	0	0	386,777	1,251,777
2019	880,000	0	0	369,451	1,249,451
2020	765,000	0	40,000	447,614	1,252,614
2021-2025	2,835,000	740,000	330,000	2,316,613	6,221,613
2026-2030	3,960,000	1,165,000	0	910,876	6,035,876
2031-2032	2,290,000	0	0	92,600	2,382,600
	<u>\$13,290,000</u>	<u>\$1,905,000</u>	<u>\$370,000</u>	<u>\$5,345,234</u>	<u>\$20,910,234</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 18 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for vehicles. Capital lease 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 2015 were \$107,865.

	Governmental Activities
Vehicles	\$446,510
Less Accumulated Depreciation	(57,055)
Carrying Value at June 30, 2015	\$389,455

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2015.

Year	Governmental Activities	
	Principal	Interest
2016	\$110,336	\$5,111
2017	112,862	2,585
Total	\$223,198	\$7,696

Note 19 - Fund Balance

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

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$1,709	\$0	\$4,690	\$6,399
Unclaimed Monies	1,651	0	0	1,651
Total Nonspendable	3,360	0	4,690	8,050

(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 19 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$31,306	\$31,306
Building Construction	0	0	7,037	7,037
Debt Retirement	0	1,376,939	0	1,376,939
Food Service Operations	0	0	307,383	307,383
Permanent				
Improvements	0	0	1,059,128	1,059,128
Regular Instruction	0	0	29,362	29,362
School Facilities				
Maintenance	0	0	337,452	337,452
Special Instruction	0	0	11,702	11,702
Total Restricted	<u>0</u>	<u>1,376,939</u>	<u>1,783,370</u>	<u>3,160,309</u>
Committed for:				
Termination Benefits	<u>29,275</u>	<u>0</u>	<u>0</u>	<u>29,275</u>
Assigned for:				
Educational Activities	38,103	0	0	38,103
Extracurricular Activities	5,552	0	0	5,552
Unpaid Obligations	<u>359,689</u>	<u>0</u>	<u>0</u>	<u>359,689</u>
Total Assigned	<u>403,344</u>	<u>0</u>	<u>0</u>	<u>403,344</u>
Unassigned (Deficit)	<u>2,589,662</u>	<u>0</u>	<u>(52,499)</u>	<u>2,537,163</u>
Total Fund Balance	<u><u>\$3,025,641</u></u>	<u><u>\$1,376,939</u></u>	<u><u>\$1,735,561</u></u>	<u><u>\$6,138,141</u></u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 20 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2015.

	Capital Improvements
Balance June 30, 2014	\$0
Current Year Set Aside Requirement	331,700
Qualifying Expenditures	(288,552)
Current Year Offsets	(43,148)
Balance June 30, 2015	\$0

Note 21 - Interfund Transfers

During fiscal year 2015, the General Fund made transfers to other governmental funds, in the amount of \$818,635 to subsidize operations of other funds.

Note 22 - 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 \$231,108 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 23 - 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 2015, the School District paid \$147,090 to NCOCC for various services. Financial information can be obtained from North Central Ohio Computer Cooperative/Heartland Council of Governments, 1495 West Longview Avenue, Suite 100, Mansfield, Ohio 44906.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 23 - Jointly Governed Organizations (continued)

B. Pioneer Career and Technology Center

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

C. Metropolitan Educational Technology Association

The Metropolitan Educational Technology Association (META) is a purchasing cooperative made up of school districts, libraries, and related agencies. The purpose of the META is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the META consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the META. Financial information can be obtained from the Metropolitan Educational Technology Association, 100 Executive Drive, Marion, Ohio 43302.

Note 24 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Crawford-Wyandot Health Benefit Plan

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 the account manager, 229 Huber Village Boulevard, Westerville, Ohio 43081-5325.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Note 25 - 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, 2015.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

C. Litigation

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

LAST TWO FISCAL YEARS

	2014	2013
District's proportion of the net pension liability	0.06464600%	0.06464600%
District's proportionate share of the net pension liability	\$ 3,271,698	\$ 3,844,290
District's covered-employee payroll	\$ 1,745,786	\$ 1,678,214
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.41%	229.07%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.06749488%	0.06749488%
District's proportionate share of the net pension liability	\$ 16,417,091	\$ 19,555,931
District's covered-employee payroll	\$ 6,967,231	\$ 7,254,192
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.63%	269.58%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 266,267	\$ 241,966	\$ 232,265	\$ 252,091
Contributions in relation to the contractually required contribution	<u>(266,267)</u>	<u>(241,966)</u>	<u>(232,265)</u>	<u>(252,091)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,020,236	\$ 1,745,786	\$ 1,678,214	\$ 1,874,283
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 258,294	\$ 272,251	\$ 184,563	\$ 182,344	\$ 182,190	\$ 184,075
<u>(258,294)</u>	<u>(272,251)</u>	<u>(184,563)</u>	<u>(182,344)</u>	<u>(182,190)</u>	<u>(184,075)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,054,843	\$ 2,010,720	\$ 1,875,644	\$ 1,856,867	\$ 1,705,899	\$ 1,739,839
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 973,604	\$ 905,740	\$ 943,045	\$ 1,062,302
Contributions in relation to the contractually required contribution	<u>(973,604)</u>	<u>(905,740)</u>	<u>(943,045)</u>	<u>(1,062,302)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,954,314	\$ 6,967,231	\$ 7,254,192	\$ 8,171,554
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,139,226	\$ 1,132,834	\$ 1,081,642	\$ 1,067,567	\$ 1,056,636	\$ 1,064,571
<u>(1,139,226)</u>	<u>(1,132,834)</u>	<u>(1,081,642)</u>	<u>(1,067,567)</u>	<u>(1,056,636)</u>	<u>(1,064,571)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,763,277	\$ 8,714,108	\$ 8,320,323	\$ 8,212,054	\$ 8,127,969	\$ 8,189,008
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 53,223	\$ 53,223
Cash Assistance:			
School Breakfast Program	10.553	238,930	238,930
National School Lunch Program	10.555	455,646	455,646
Special Milk Program for Children	10.556	669	669
Cash Assistance Subtotal:		<u>695,245</u>	<u>695,245</u>
Total Child Nutrition Cluster		<u>748,468</u>	<u>748,468</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>748,468</u>	<u>748,468</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	449,415	507,727
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	328,680	376,369
Special Education-Preschool Grants (IDEA Preschool)	84.173	12,355	12,458
Total Special Education Cluster		<u>341,035</u>	<u>388,827</u>
Rural Education	84.358	33,288	31,672
Improving Teacher Quality State Grants	84.367	147,615	153,252
ARRA-School Improvement Grants, Recovery Act	84.388	2,750	5,511
ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	52,702	54,177
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,026,805</u>	<u>1,141,166</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 1,775,273</u>	<u>\$ 1,889,634</u>

The accompanying notes are an integral part of this schedule.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Galion City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D – BUREAU OF WORKER'S COMPENSATION

Ohio's workers' compensation system serves as an insurance program for both employers and employees alike. For those who contribute premium, the Ohio Bureau of Workers' Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the District's Schedule of Federal Awards Receipts and Expenditures.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 9, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Galion City School District's, Crawford County, Ohio (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Galion City School District, Crawford County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
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www.auditor.state.oh.us

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2016

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

GALION CITY SCHOOL DISTRICT

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2016**