

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Galion City School District
470 Portland Way North
Galion, OH 44833

We have reviewed the *Independent Auditor's Report* of the Galion City School District, Crawford County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Galion City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 6, 2019

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	2 - 3
Management’s Discussion and Analysis	4 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities	16 - 17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21 - 22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	23
Statement of Fiduciary Net Position - Fiduciary Funds	24
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	25
Notes to the Basic Financial Statements.....	26 - 70
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	72 - 73
State Teachers Retirement System (STRS) of Ohio	74 - 75
Schedule of the School District’s Proportionate Share of the Net OPEB Liability:	
School Employees Retirement System (SERS) of Ohio	76
State Teachers Retirement System (STRS) of Ohio	77
Schedule of School District Pension and OPEB Contributions:	
School Employees Retirement System (SERS) of Ohio	78 - 79
Schedule of School District Pension and OPEB Contributions:	
State Teachers Retirement System (STRS) of Ohio	80 - 81
Notes to Required Supplementary Information	82 - 83
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	84
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	85 - 86
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	87 - 88
Schedule of Findings 2 <i>CFR</i> § 200.515.....	89

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Julian & Grube, Inc.

Serving Ohio Local Governments

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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 the Galion City School District, Crawford County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Galion City School 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 Galion City School 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 Galion City School District's internal control. Accordingly, we express no such 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 the Galion City School District, Crawford County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal 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 fiscal year 2018, the Galion City School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 Information


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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 December 27, 2018, on our consideration of the Galion City School 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 Galion City School District's internal control over financial reporting and compliance.



Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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, 2018. 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 2018 are as follows:

In total, net position increased \$8,354,670. This increase is primarily due to the decrease in the net pension and net OPEB liabilities.

General revenues were \$19,400,628, or 78 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, the Bond Retirement debt service fund, and the Permanent Improvement capital projects 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 2018. 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
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2018

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, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2018 and fiscal year 2017:

	Table 1 Net Position		
	Governmental Activities		
	2018	2017	Change
<u>Assets</u>			
Current and Other Assets	\$15,341,845	\$15,078,044	\$263,801
Capital Assets, Net	48,718,327	49,836,006	(1,117,679)
Total Assets	64,060,172	64,914,050	(853,878)

(continued)

Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Table 1
Net Position
(continued)

	Governmental Activities		
	2017	2016	Change
<u>Deferred Outflows of Resources</u>			
Pension	\$7,846,303	\$6,317,806	\$1,528,497
OPEB	398,501	41,036	357,465
Other Amounts	450,816	475,501	(24,685)
Total Deferred Outflows of Resources	<u>8,695,620</u>	<u>6,834,343</u>	<u>1,861,277</u>
<u>Liabilities</u>			
Current and Other Liabilities	2,417,242	2,504,386	87,144
Long-Term Liabilities			
Pension	21,936,912	29,026,345	7,089,433
OPEB	4,923,453	5,872,624	949,171
Other Amounts	15,448,862	16,081,737	632,875
Total Liabilities	<u>44,726,469</u>	<u>53,485,092</u>	<u>8,758,623</u>
<u>Deferred Inflows of Resources</u>			
Pension	735,600	0	(735,600)
OPEB	553,784	0	(553,784)
Other Amounts	4,055,838	3,933,870	(121,968)
Total Deferred Inflows of Resources	<u>5,345,222</u>	<u>3,933,870</u>	<u>(1,411,352)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	35,158,755	35,479,103	(320,348)
Restricted	2,500,280	2,351,499	148,781
Unrestricted (Deficit)	(14,974,934)	(23,501,171)	8,526,237
Total Net Position	<u>\$22,684,101</u>	<u>\$14,329,431</u>	<u>\$8,354,670</u>

The net pension liability reported by the School District at June 30, 2018, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For fiscal year 2018, the School District adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 75, the School District is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$20,161,019 to \$14,329,431.

Pension/OPEB related changes noted in the above table reflect an increase in deferred outflows and deferred inflows. The decrease in the net pension/OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension liability. The effect of these changes for pension and OPEB are the most significant reason for the increase in total net position.

Aside from the changes related to pension, there were not any other changes of significance as reflected in the above table. There was a decrease in net capital assets due to annual depreciation and a decrease in other long-term liabilities due to scheduled debt retirement. The combination of these two factors is also reflected in the decrease in the investment in capital assets.

Table 2 reflects the change in net position for fiscal year 2018 and fiscal year 2017.

Table 2
Change in Net Position

	Governmental Activities		
	2018	2017	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$1,381,759	\$1,244,284	\$137,475
Operating Grants, Contributions, and Interest	3,986,293	3,944,021	42,272
Capital Grants and Contributions	20,020	314,433	(294,413)
Total Program Revenues	<u>5,388,072</u>	<u>5,502,738</u>	<u>(\$114,666)</u>
General Revenues			
Property Taxes Levied for General Purposes	4,251,703	4,519,691	(267,988)
Property Taxes Levied for Classroom Facilities Purposes	66,251	69,221	(2,970)
Property Taxes Levied for Debt Service Purposes	1,011,609	1,062,746	(51,137)
Payment in Lieu of Taxes	36,757	36,757	0
Grants and Entitlements	13,462,535	13,141,018	321,517
Interest	87,549	45,584	41,965
Gifts and Donations	20,472	18,467	2,005
Miscellaneous	463,752	671,176	(207,424)
Total General Revenues	<u>19,400,628</u>	<u>19,564,660</u>	<u>(164,032)</u>
Total Revenues	<u>24,788,700</u>	<u>25,067,398</u>	<u>(278,698)</u>

(continued)

Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2018	2017	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$6,364,212	\$11,293,684	\$4,929,472
Special	2,607,267	4,372,064	1,764,797
Vocational	165,274	115,476	(49,798)
Support Services:			
Pupils	609,525	1,136,312	526,787
Instructional Staff	528,506	882,343	353,837
Board of Education	67,152	57,199	(9,953)
Administration	267,558	1,591,739	1,324,181
Fiscal	460,878	561,974	101,096
Business	0	1,456	1,456
Operation and Maintenance of Plant	1,877,120	1,844,978	(32,142)
Pupil Transportation	997,182	1,100,942	103,760
Central	160,402	204,925	44,523
Non-Instructional Services	1,193,790	1,199,923	6,133
Extracurricular Activities	648,373	951,245	302,872
Interest and Fiscal Charges	486,791	489,860	3,069
Total Expenses	<u>16,434,030</u>	<u>25,804,120</u>	<u>9,370,090</u>
Increase (Decrease) in Net Position	8,354,670	(736,722)	9,091,392
Net Position at Beginning of Year	<u>14,329,431</u>	n/a	n/a
Net Position at End of Year	<u>\$22,684,101</u>	<u>\$14,329,431</u>	<u>\$8,354,670</u>

The information necessary to restate the fiscal year 2017 beginning balances and the fiscal year 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, fiscal year 2017 functional expenses still include OPEB expense of \$41,036 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the fiscal year 2018 financial statements report negative OPEB expense of \$702,205. Consequently, in order to compare fiscal year 2018 total program expenses to fiscal year 2017, the following adjustments are needed.

Total 2018 Program Expenses Under GASB Statement No. 75	\$16,434,030
Negative OPEB Expense Under GASB Statement No. 75	(702,205)
2018 Contractually Required Contribution	<u>(50,647)</u>
Adjusted 2018 Program Expenses	15,681,178
Total 2017 Program Expenses Under GASB Statement No. 45	<u>(25,804,120)</u>
Decrease in Program Expenses Not Related to OPEB	<u>(\$10,122,942)</u>

Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes including a reduction in the discount rate and also voted to suspend cost of living adjustments (COLA). SERS decreased the COLA assumption. See Note 15. As a result of these changes, pension expense decreased from \$2,612,258 in fiscal year 2017 to a negative pension expense of \$6,391,611 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows.

	2018 Program Expenses Related to Negative Pension Expense
<u>Expenses:</u>	
Instruction:	
Regular	(\$3,284,301)
Special	(1,247,745)
Support Services:	
Pupils	(448,830)
Instructional Staff	(293,187)
Board of Education	(1)
Administration	(911,631)
Fiscal	(77)
Operation and Maintenance of Plant	(115)
Pupil Transportation	(136)
Central	(2)
Non-Instructional Services	(77)
Extracurricular Activities	(205,509)
Total Expenses	(\$6,391,611)

Total revenues decreased 1 percent from the prior fiscal year, not a significant change. There was a modest decrease in program revenues because the School District received a contribution towards improvements at the football stadium and the baseball and softball fields in the prior fiscal year. However, this decrease was partially offset by an increase in charges for services related to open enrollment tuition. There was also a slight decrease in general revenues. Property taxes and miscellaneous revenue decreased somewhat but this was offset by an increase in unrestricted State foundation resources related to funds received for disadvantaged pupils and career technical education.

There was a slight increase in total expenses, excluding the net pension/OPEB liability changes. This was generally due to a contracted 2 percent salary increase and rising health care costs. Additionally, there were some new curriculum initiatives implemented by the School District.

Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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	
	2018	2017	2018	2017
Instruction:				
Regular	\$6,364,212	\$11,293,684	\$5,472,004	\$10,443,199
Special	2,607,267	4,372,064	(351,809)	1,300,022
Vocational	165,274	115,476	40,827	92,938
Support Services:				
Pupils	609,525	1,136,312	609,525	1,136,312
Instructional Staff	528,506	882,343	528,506	882,343
Board of Education	67,152	57,199	67,152	57,199
Administration	267,558	1,591,739	267,558	1,591,739
Fiscal	460,878	561,974	460,878	561,974
Business	0	1,456	0	1,456
Operation and Maintenance of Plant	1,877,120	1,844,978	1,857,100	1,844,978
Pupil Transportation	997,182	1,100,942	893,472	1,025,249
Central	160,402	204,925	160,402	204,925
Non-Instructional Services	1,193,790	1,199,923	133,499	280,030
Extracurricular Activities	648,373	951,245	420,053	389,158
Interest and Fiscal Charges	486,791	489,860	486,791	489,860
Total Expenses	<u>\$16,434,030</u>	<u>\$25,804,120</u>	<u>\$11,045,958</u>	<u>\$20,301,382</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations. In addition, this program includes resources received and spent on behalf of the parochial school located within the School District. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

Fund balance increased in the General Fund by \$295,512. There was a modest 3 percent increase in revenues primarily from property taxes, State foundation resources, and tuition. There was a slightly higher increase in expenditures, 4 percent, due primarily to salary and benefit increases. However, revenues remained greater than expenditures.

Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

There was an increase of nearly 8 percent in fund balance for the Bond Retirement debt service fund as property tax and related revenues exceeded annual debt service requirements.

The decrease in the Permanent Improvement capital projects fund was due to spending resources for various improvements in fiscal year 2018.

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 2018, the School District amended its General Fund budget as needed. For both revenues and expenditures, changes from the original budget to the final budget and from the final budget to actual revenues and expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$48,718,327 invested in capital assets (net of accumulated depreciation). Significant additions included improvements to the high school gym, two storage barns, maintenance and technology equipment, and two new school buses. The School District's only disposal was a school bus. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2018, consisted of general obligation bonds and capital leases, in the amount of \$14,182,154 and \$196,038, respectively. The School District's long-term obligations also included the net pension/OPEB liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 18 and 19 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 2016, the Galion Board of Education, the Galion Education Association (GEA), and the Ohio Association of Public School Employees Local #370 (OAPSE) entered into an Interest Based Bargaining process for the purpose of negotiating new union contracts. After significant training by the Board of Education, the GEA, and the OAPSE, the School District successfully negotiated a three-year contract with each union. The GEA contract is in effect for the three years ending August 2019 and the OAPSE contract is in effect for the three years ending June 2019.

Galion City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The School District has a .5 mill levy to help offset maintenance expenses but this levy will not fully fund these costs. In fiscal year 2016 and in fiscal year 2017, 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 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. In fiscal year 2017, the School District purchased 17.677 acres of land, adjacent to the Middle School building, from the Hesby Estate. Plans for the land include a new bus garage and athletic fields for varsity soccer and track. The School District has completed a three-year long project with the City of Galion, called the Freese Project. The results were significant improvements to the Heise Park complex for the benefit of Galion athletics, including football, softball, and baseball complexes.

During fiscal year 2016, the School District implemented new initiatives and programs including Leader in Me, Project Lead the Way, Step by Step Learning Inc., High Schools that Work, and Making Middle Grades Work. The Leader in Me program for grades K-5 focus on self-direction, goal setting, positive interactions, and leadership. The Project Lead the Way program is a STEM focused program that focuses on the areas of biomedical, engineering, and computer science. Step by Step Learning Inc., is a professional development consultant group who is working with teachers on improving reading instruction, implementing improved assessments, and modeling teaching strategies. High Schools that Work and Making Middle Grades Work is a collaborative group of schools that focus on professional development with high school and middle school teachers on areas of instruction, college and career readiness, and improvement in teaching all subjects with a focus on math and English language arts.

The School District Report Card for 2017-2018 saw improvements from the previous year. In the K-3 literacy area 100 percent of students showed success, in the area of Gap Closure, the School District score improved from an F in the prior fiscal year to a C in the current fiscal year. The School District graduation rate improved from a B to an A. In the area of progress, the School District scored a B indicating above expected growth rates.

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.

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Galion City School District
Statement of Net Position
June 30, 2018

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,986,133
Accounts Receivable	40,428
Intergovernmental Receivable	233,872
Prepaid Items	34,493
Inventory Held for Resale	11,795
Materials and Supplies Inventory	8,320
Property Taxes Receivable	6,990,104
Payment in Lieu of Taxes Receivable	36,700
Nondepreciable Capital Assets	1,112,997
Depreciable Capital Assets, Net	47,605,330
Total Assets	64,060,172
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	450,816
Pension	7,846,303
OPEB	398,501
Total Deferred Outflows of Resources	8,695,620
<u>Liabilities:</u>	
Accounts Payable	455,540
Contracts Payable	20,428
Accrued Wages and Benefits Payable	1,481,622
Matured Compensated Absences Payable	18,975
Intergovernmental Payable	409,161
Accrued Interest Payable	31,516
Long-Term Liabilities:	
Due Within One Year	1,052,270
Due in More Than One Year	
Pension	21,936,912
OPEB	4,923,453
Other Amounts Due in More Than One Year	14,396,592
Total Liabilities	44,726,469
<u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	4,021,065
Payment in Lieu of Taxes Receivable	34,773
Pension	735,600
OPEB	553,784
Total Deferred Inflows of Resources	5,345,222
<u>Net Position:</u>	
Net Investment in Capital Assets	35,158,755
Restricted For:	
Debt Service	1,825,458
Capital Projects	20,255
Food Service	234,011
Classroom Facilities Maintenance	291,349
Other Purposes	129,207
Unrestricted (Deficit)	(14,974,934)
Total Net Position	\$22,684,101

See Accompanying Notes to Basic Financial Statements

Galion City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
<u>Instruction:</u>				
Regular	\$6,364,212	\$752,532	\$139,676	\$0
Special	2,607,267	157,643	2,801,433	0
Vocational	165,274	0	124,447	0
<u>Support Services:</u>				
Pupils	609,525	0	0	0
Instructional Staff	528,506	0	0	0
Board of Education	67,152	0	0	0
Administration	267,558	0	0	0
Fiscal	460,878	0	0	0
Operation and Maintenance of Plant	1,877,120	0	0	20,020
Pupil Transportation	997,182	0	103,710	0
Central	160,402	0	0	0
Non-Instructional Services	1,193,790	291,415	768,876	0
Extracurricular Activities	648,373	180,169	48,151	0
Interest and Fiscal Charges	486,791	0	0	0
Total Governmental Activities	<u>\$16,434,030</u>	<u>\$1,381,759</u>	<u>\$3,986,293</u>	<u>\$20,020</u>

General Revenues:

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

Change in Net Position

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental
Activities

(\$5,472,004)
351,809
(40,827)

(609,525)
(528,506)
(67,152)
(267,558)
(460,878)
(1,857,100)
(893,472)
(160,402)
(133,499)
(420,053)
(486,791)

(11,045,958)

4,251,703
66,251
1,011,609
36,757
13,462,535
87,549
20,472
463,752

19,400,628

8,354,670

14,329,431

\$22,684,101

Galion City School District
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$4,837,990	\$1,297,979	\$1,185,297	\$662,335	\$7,983,601
Accounts Receivable	39,462	0	0	966	40,428
Interfund Receivable	1,039	0	0	0	1,039
Intergovernmental Receivable	87,245	0	0	146,627	233,872
Prepaid Items	33,918	0	0	575	34,493
Inventory Held for Resale	0	0	0	11,795	11,795
Materials and Supplies Inventory	0	0	0	8,320	8,320
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	2,532	0	0	0	2,532
Property Taxes Receivable	5,567,537	1,334,606	0	87,961	6,990,104
Payment in Lieu of Taxes Receivable	0	0	36,700	0	36,700
Total Assets	<u>\$10,569,723</u>	<u>\$2,632,585</u>	<u>\$1,221,997</u>	<u>\$918,579</u>	<u>\$15,342,884</u>
<u>Liabilities:</u>					
Accounts Payable	\$447,878	\$0	\$0	\$7,662	455,540
Contracts Payable	0	0	20,428	0	20,428
Accrued Wages and Benefits Payable	1,321,149	0	0	160,473	1,481,622
Matured Compensated Absences Payable	18,975	0	0	0	18,975
Interfund Payable	0	0	0	1,039	1,039
Intergovernmental Payable	385,894	0	0	23,267	409,161
Total Liabilities	<u>2,173,896</u>	<u>0</u>	<u>20,428</u>	<u>192,441</u>	<u>2,386,765</u>
<u>Deferred Inflows of Resources:</u>					
Property Taxes Receivable	3,194,138	775,611	0	51,316	4,021,065
Payment in Lieu of Taxes Receivable	0	0	34,773	0	34,773
Unavailable Revenue	546,369	112,448	0	92,981	751,798
Total Deferred Inflows of Resources	<u>3,740,507</u>	<u>888,059</u>	<u>34,773</u>	<u>144,297</u>	<u>4,807,636</u>
<u>Fund Balances:</u>					
Nonspendable	36,450	0	0	8,895	45,345
Restricted	0	1,744,526	0	619,559	2,364,085
Committed	63,550	0	1,166,796	0	1,230,346
Assigned	140,985	0	0	0	140,985
Unassigned (Deficit)	4,414,335	0	0	(46,613)	4,367,722
Total Fund Balances	<u>4,655,320</u>	<u>1,744,526</u>	<u>1,166,796</u>	<u>581,841</u>	<u>8,148,483</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$10,569,723</u>	<u>\$2,632,585</u>	<u>\$1,221,997</u>	<u>\$918,579</u>	<u>\$15,342,884</u>

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		\$8,148,483
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.		48,718,327
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	40,268	
Intergovernmental Receivable	121,544	
Deliquent Property Taxes Receivable	589,986	
		751,798
Deferred outflows of resources includes deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		450,816
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(31,516)	
General Obligation Bonds Payable	(14,182,154)	
Compensated Absences Payable	(1,070,670)	
Capital Leases Payable	(196,038)	
		(15,480,378)
The net pension liability and net OPEB liability are 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	7,846,303	
Deferred Inflows - Pension	(735,600)	
Net Pension Liability	(21,936,912)	
Deferred Outflows - OPEB	398,501	
Deferred Inflows - OPEB	(553,784)	
Net OPEB Liability	(4,923,453)	
		(19,904,945)
Net Position of Governmental Activities		\$22,684,101

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$4,511,722	\$1,060,994	\$0	\$69,462	\$5,642,178
Payment in Lieu of Taxes	0	0	36,757	0	36,757
Intergovernmental	15,130,502	299,796	0	1,971,831	17,402,129
Interest	70,938	16,376	0	4,579	91,893
Tuition and Fees	900,184	0	0	0	900,184
Extracurricular Activities	5,672	0	0	174,497	180,169
Charges for Services	0	0	0	290,449	290,449
Gifts and Donations	20,472	0	0	68,205	88,677
Miscellaneous	410,051	0	5,169	11,189	426,409
Total Revenues	<u>21,049,541</u>	<u>1,377,166</u>	<u>41,926</u>	<u>2,590,212</u>	<u>25,058,845</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	9,836,292	0	0	53,029	9,889,321
Special	3,079,989	0	0	1,047,004	4,126,993
Vocational	149,152	0	0	0	149,152
Support Services:					
Pupils	1,185,739	0	0	251	1,185,990
Instructional Staff	870,300	0	0	60,448	930,748
Board of Education	61,793	4,950	0	0	66,743
Administration	1,445,893	0	0	650	1,446,543
Fiscal	445,024	32,605	0	5,000	482,629
Operation and Maintenance of Plant	1,697,018	0	64,455	17,890	1,779,363
Pupil Transportation	1,095,551	0	17,488	0	1,113,039
Central	122,581	0	6,422	0	129,003
Extracurricular Activities	604,932	0	0	224,106	829,038
Non-Instructional Services	16,739	0	0	1,049,355	1,066,094
Capital Outlay	0	0	176,355	0	176,355
Debt Service:					
Principal Retirement	109,997	865,000	0	0	974,997
Interest and Fiscal Charges	3,922	386,776	0	0	390,698
Total Expenditures	<u>20,724,922</u>	<u>1,289,331</u>	<u>264,720</u>	<u>2,457,733</u>	<u>24,736,706</u>
Excess of Revenues Over (Under) Expenditures	<u>324,619</u>	<u>87,835</u>	<u>(222,794)</u>	<u>132,479</u>	<u>322,139</u>
<u>Other Financing Sources (Uses):</u>					
Inception of Capital Lease	175,552	0	0	0	175,552
Transfers In	0	34,531	168,874	1,254	204,659
Transfers Out	(204,659)	0	0	0	(204,659)
Total Other Financing Sources (Uses)	<u>(29,107)</u>	<u>34,531</u>	<u>168,874</u>	<u>1,254</u>	<u>175,552</u>
Changes in Fund Balances	295,512	122,366	(53,920)	133,733	497,691
Fund Balances at Beginning of Year	4,359,808	1,622,160	1,220,716	448,108	7,650,792
Fund Balances at End of Year	<u>\$4,655,320</u>	<u>\$1,744,526</u>	<u>\$1,166,796</u>	<u>\$581,841</u>	<u>\$8,148,483</u>

See Accompanying Notes to the Basic Financial Statements

Galion City School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Changes in Fund Balances - Total Governmental Funds \$497,691

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 - Nondepreciable Capital Assets	50,303	
Capital Outlay - Depreciable Capital Assets	300,299	
Depreciation	<u>(1,455,581)</u>	(1,104,979)

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.

	<u>(12,700)</u>	(12,700)
--	-----------------	----------

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

Delinquent Property Taxes	(312,615)	
Intergovernmental	(5,830)	
Tuition and Fees	9,991	
Interest	966	
Miscellaneous	<u>37,343</u>	(270,145)

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	865,000	
Capital Leases	<u>109,997</u>	974,997

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position.

(175,552)

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	1,431	
Annual Accretion on Capital Appreciation Bonds	(115,838)	
Amortization of Premium	42,999	
Amortization of Deferred Charge on Refunding	<u>(24,685)</u>	(96,093)

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

(93,731)

(continued)

Galion City School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2018
 (continued)

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.		
Pension	\$6,391,611	
OPEB	<u>702,205</u>	7,093,816
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,490,719	
OPEB	<u>50,647</u>	<u>1,541,366</u>
Change in Net Position of Governmental Activities		<u><u>\$8,354,670</u></u>
See Accompanying Notes to the Basic Financial Statements		

Galion City School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,930,445	\$4,362,123	\$4,402,699	\$40,576
Intergovernmental	13,763,000	14,930,534	15,130,502	199,968
Interest	63,000	70,058	70,938	880
Tuition and Fees	977,396	892,206	900,269	8,063
Extracurricular Activities	0	6,182	5,672	(510)
Gifts and Donations	10,000	20,422	20,472	50
Miscellaneous	343,000	392,007	393,846	1,839
Total Revenues	<u>20,086,841</u>	<u>20,673,532</u>	<u>20,924,398</u>	<u>250,866</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,577,682	9,940,024	9,942,717	(2,693)
Special	4,126,327	3,046,861	3,055,481	(8,620)
Vocational	0	149,207	149,152	55
Support Services:				
Pupils	1,411,100	1,178,561	1,178,448	113
Instructional Staff	1,143,100	863,726	862,705	1,021
Board of Education	233,298	62,139	62,797	(658)
Administration	1,774,586	1,445,757	1,447,164	(1,407)
Fiscal	1,220,867	445,326	445,647	(321)
Operation and Maintenance of Plant	2,519,287	1,679,812	1,688,378	(8,566)
Pupil Transportation	1,265,244	1,027,358	1,028,017	(659)
Central	279,149	122,206	122,632	(426)
Extracurricular Activities	0	546,819	546,061	758
Public School Support				
Extracurricular Activities	25,000	31,434	27,600	3,834
Student Activities				
Extracurricular Activities	25,000	46,582	39,473	7,109
Total Expenditures	<u>22,600,640</u>	<u>20,585,812</u>	<u>20,596,272</u>	<u>(10,460)</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,513,799)</u>	<u>87,720</u>	<u>328,126</u>	<u>240,406</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	52	52
Transfers Out	0	(205,057)	(204,659)	398
Total Other Financing Sources (Uses)	<u>0</u>	<u>(205,057)</u>	<u>(204,607)</u>	<u>450</u>
Changes in Fund Balance	(2,513,799)	(117,337)	123,519	240,856
Fund Balance at Beginning of Year	4,556,656	4,556,656	4,556,656	0
Prior Year Encumbrances Appropriated	50,640	50,640	50,640	0
Fund Balance at End of Year	<u>\$2,093,497</u>	<u>\$4,489,959</u>	<u>\$4,730,815</u>	<u>\$240,856</u>

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$247,165	\$41,952
<u>Liabilities:</u>		
Undistributed Assets	0	\$12,975
Due to Students	0	28,977
Total Liabilities	0	\$41,952
<u>Net Position:</u>		
Held in Trust for Scholarships	231,275	
Endowment	15,890	
Total Net Position	\$247,165	

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

<u>Additions:</u>	
Interest	\$3,139
Gifts and Donations	<u>0</u>
Total Additions	3,139
 <u>Deductions:</u>	
Non-Instructional Services	<u>3,950</u>
Change in Net Position	(811)
Net Position at Beginning of Year	<u>247,976</u>
Net Position at End of Year	<u><u>\$247,165</u></u>

See Accompanying Notes to the Basic Financial Statements

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 sixty-seven classified employees, one hundred eighteen certified teaching personnel, and nineteen administrative employees who provide services to 1,977 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 Council, Ohio School Plan, and the Crawford-Wyandot Health Benefit Plan. These organizations are presented in Notes 24 and 25 to the basic financial statements.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

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.

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for transfers from the General Fund and other resources assigned for the acquisition, construction, or improvement of capital facilities.

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows 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.

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 deferred outflows and current liabilities and deferred inflows 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. The agency fund does not report a measurement focus as it does not report operations.

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Deferred 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 and OPEB. 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. Deferred outflows of resources are also reported on the government-wide statement of net position for pension and OPEB and explained in Notes 15 and 16 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, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 19. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 15 and 16 to the basic financial statements.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources 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 2018, the School District invested in nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are reported at cost.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 was \$70,938, which includes \$16,280 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. 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.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either 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.

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net 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 acquisition value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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

Description	Useful Lives
Land Improvements	5 - 60 years
Buildings and Building Improvements	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 40 years
Vehicles	10 - 15 years

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. 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.

M. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

N. 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/OPEB 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.

O. 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.

Under Ohio law, premiums on the original issuance of debt are to be deposited in the Bond Retirement Fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to a bond escrow agent.

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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. The Board of Education has also assigned fund balance for various educational and extracurricular activities and for technology.

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

S. Pension/Postemployment Benefits

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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.

Note 3 - Change in Accounting Principles

For fiscal year 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 85, "Omnibus 2017", and related guidance from GASB Implementation Guide No. 2017-3, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

For fiscal year 2018, the School District also implemented GASB Implementation Guide No. 2017-1. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported.

Net Position June 30, 2017	\$20,161,019
Net OPEB Liability	(5,872,624)
Deferred Outflows - Payments Subsequent to the Measurement Date	<u>41,036</u>
Restated Net Position June 30, 2017	<u>\$14,329,431</u>

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

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2018, the following funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
High Schools That Work	\$175
Title VI-B	15,591
Title I	30,828
REAP	16

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 General Fund, and the Secondary Transition, Idea B, and Title I special revenue funds had expenditures and other financing uses plus encumbrances in excess of appropriations, in the amount of \$10,062, \$1,068, \$11,798, and \$9,942, respectively, for the fiscal year ended June 30, 2018. The Treasurer will monitor budgetary transactions to ensure that expenditures are within amounts appropriated.

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).

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 5 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance	
GAAP Basis	\$295,512
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2017, Received in Cash FY 2018	1,828,646
Accrued FY 2018, Not Yet Received in Cash	(1,953,737)
Expenditure Accruals:	
Accrued FY 2017, Paid in Cash FY 2018	(2,247,408)
Accrued FY 2018, Not Yet Paid in Cash	2,173,896
Prepaid Items	(33,918)
Materials and Supplies Inventory	344
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses into Financial Statement Fund Types	85,873
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(25,689)
Budget Basis	\$123,519

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 6 - Deposits and Investments (continued)

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, and Government National Mortgage 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 and, with certain limitations, bonds and other obligations of other political subdivisions of the State of Ohio;
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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Receivables

Receivables at June 30, 2018, 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	
State of Ohio	\$51,151
Bureau of Workers' Compensation	36,094
Total Governmental Funds	87,245
Other Governmental Funds	
Title VI-B	50,279
Title I	73,514
Title II-A	7,394
REAP	918
Title IV-A	8,995
High Schools That Work	425
Secondary Transition	1,082
Advanced Careers	4,020
Total Other Governmental Funds	146,627
Total Intergovernmental Receivables	\$233,872

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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, 2018, are available to finance fiscal year 2018 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, 2018, 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, 2018, was \$1,903,236 in the General Fund, \$29,270 in the Classroom Facilities special revenue fund, and \$446,547 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2017, was \$1,794,213 in the General Fund, \$27,588 in the Classroom Facilities special revenue fund, and \$423,537 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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 - Property Taxes (continued)

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$158,852,440	97.79%	\$157,882,860	97.55%
Public Utility	3,595,760	2.21	3,969,630	2.45
Total Assessed Value	<u>\$162,448,200</u>	<u>100.00%</u>	<u>\$161,852,490</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$60.28		\$60.28	

Note 9 - Tax Abatements

The School District's property taxes were reduced as follows under community reinvestment area and enterprise zone agreements entered into by overlapping governments.

Overlapping Government	Amount of Fiscal Year 2018 Taxes Abated
Community Reinvestment Area	
City of Galion	\$13,379
Enterprise Zone	
City of Galion	24,095
	<u>\$37,474</u>

Note 10 - Payment in Lieu of Taxes

In accordance with agreements related to tax increment financing districts, 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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$1,062,694	\$0	\$0	\$1,062,694
Construction in Progress	0	50,303	0	50,303
Total Nondepreciable Capital Assets	<u>1,062,694</u>	<u>50,303</u>	<u>0</u>	<u>1,112,997</u>
Depreciable Capital Assets				
Land Improvements	993,231	0	0	993,231
Buildings and Building Improvements	57,821,162	62,779	0	57,883,941
Furniture, Fixtures, and Equipment	1,748,949	61,968	0	1,810,917
Vehicles	1,492,401	175,552	(63,500)	1,604,453
Total Depreciable Capital Assets	<u>62,055,743</u>	<u>300,299</u>	<u>(63,500)</u>	<u>62,292,542</u>
Less Accumulated Depreciation				
Land Improvements	(428,775)	(48,521)	0	(477,296)
Buildings and Building Improvements	(11,144,927)	(1,171,523)	0	(12,316,450)
Furniture, Fixtures, and Equipment	(1,064,792)	(130,214)	0	(1,195,006)
Vehicles	(643,937)	(105,323)	50,800	(698,460)
Total Accumulated Depreciation	<u>(13,282,431)</u>	<u>(1,455,581)</u>	<u>50,800</u>	<u>(14,687,212)</u>
Depreciable Capital Assets, Net	<u>48,773,312</u>	<u>(1,155,282)</u>	<u>(12,700)</u>	<u>47,605,330</u>
Governmental Activities Capital Assets, Net	<u>\$49,836,006</u>	<u>(\$1,104,979)</u>	<u>(\$12,700)</u>	<u>\$48,718,327</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$666,709
Special	122,381
Vocational	16,122
Support Services:	
Pupils	14,466
Instructional Staff	768
Board of Education	859
Administration	37,100
Fiscal	4,967
Operation and Maintenance of Plant	198,111
Pupil Transportation	104,413
Central	36,451
Non-Instructional Services	154,047
Extracurricular Activities	99,187
Total Depreciation Expense	<u>\$1,455,581</u>

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 12 - Interfund Receivables/Payables

At June 30, 2018, the General Fund had an interfund receivable, in the amount of \$1,039, from other governmental funds for short-term loans made to those funds. These amounts are expected to be repaid within one year.

Note 13 - 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 2018, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

Buildings and Contents - replacement cost	\$79,501,450
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.

For fiscal year 2018, 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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 14 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2019 were as follows:

General Fund	\$25,689
Other Governmental Funds	17,084
Total	<u><u>\$42,773</u></u>

Note 15 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension and Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 and OPEB.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Defined Benefit Pension Plans (continued)

GASB Statements No. 68 and No. 75 assume 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 pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB 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. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District nonteaching 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 credit over thirty years. Final average salary is the average of the highest three years of salary.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$328,466 for fiscal year 2018. Of this amount, \$54,000 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. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Defined Benefit Pension Plans (continued)

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member 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 after termination of employment at age fifty or later.

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 to 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. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,162,253 for fiscal year 2018. Of this amount, \$214,104 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, 2017, 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.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.07218480%	0.07093201%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.07611560%</u>	<u>0.07320149%</u>	
Change in Proportionate Share	<u>0.00393908%</u>	<u>0.00226948%</u>	

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$4,547,741	\$17,389,171	\$21,936,912
Pension Expense	(\$682)	(\$6,390,929)	(\$6,391,611)

At June 30, 2018, 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	\$195,719	\$671,489	\$867,208
Changes of Assumptions	235,167	3,803,203	4,038,370
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	368,917	1,081,089	1,450,006
School District Contributions Subsequent to the Measurement Date	328,466	1,162,253	1,490,719
Total Deferred Outflows of Resources	\$1,128,269	\$6,718,034	\$7,846,303
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$0	\$140,150	\$140,150
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	21,587	573,863	595,450
Total Deferred Inflows of Resources	\$21,587	\$714,013	\$735,600

\$1,490,719 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, 2019. 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,			
2019	\$358,313	\$1,106,004	\$1,464,317
2020	407,323	1,886,657	2,293,980
2021	118,597	1,411,205	1,529,802
2022	(106,017)	437,902	331,885
Total	\$778,216	\$4,841,768	\$5,619,984

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Defined Benefit Pension Plans (continued)

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 terminations). 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.

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, 2017, are presented below.

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

Prior to 2017, an assumption of 3 percent was used for COLA and Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on the RP-2000 Disabled Mortality Table; 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Defined Benefit Pension Plans (continued)

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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 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 (7.5 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 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$6,311,080	\$4,547,741	\$3,070,581

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2017, actuarial valuation compared with July 1, 2016, are presented below.

	<u>July 1, 2017</u>	<u>July 1, 2016</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	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 commences on fifth anniversary of retirement date

For the July 1, 2017, actuarial valuation, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using Mortality Improvement Scale MP-2016.

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 2, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience effective July 1, 2012.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 - Defined Benefit Pension Plans (continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
	<u>100.00%</u>	

*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a thirty year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$24,926,785	\$17,389,171	\$11,039,861

Note 15 - 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, 2018, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16 - Postemployment Benefits

See Note 15 for a description of the net OPEB liability.

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by State statute. 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). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$38,482.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$50,647 for fiscal year 2018. Of this amount, \$40,482 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to postemployment health care.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits (continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.07294360%	0.07093201%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.07703440%</u>	<u>0.07320149%</u>	
Change in Proportionate Share	<u>0.00409080%</u>	<u>0.00226948%</u>	
Proportionate Share of the Net OPEB Liability	\$2,067,400	\$2,856,053	\$4,923,453
OPEB Expense	\$151,969	(\$854,174)	(\$702,205)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$0	\$164,869	\$164,869
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	78,951	104,034	182,985
School District Contributions Subsequent to the Measurement Date	<u>50,647</u>	<u>0</u>	<u>50,647</u>
Total Deferred Outflows of Resources	<u>\$129,598</u>	<u>\$268,903</u>	<u>\$398,501</u>
Deferred Inflows of Resources			
Changes of Assumptions	\$196,186	\$230,064	\$426,250
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	<u>5,460</u>	<u>122,074</u>	<u>127,534</u>
Total Deferred Inflows of Resources	<u>\$201,646</u>	<u>\$352,138</u>	<u>\$553,784</u>

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits (continued)

\$50,647 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2019	(\$43,842)	(\$24,046)	(\$67,888)
2020	(43,842)	(24,046)	(67,888)
2021	(33,646)	(24,046)	(57,692)
2022	(1,365)	(24,047)	(25,412)
2023	0	6,473	6,473
2024	0	6,477	6,477
Total	(\$122,695)	(\$83,235)	(\$205,930)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74 as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modification 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.

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below.

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.5 to 5 percent
Pre-Medicare	7.5 to 5 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates, set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) or one percentage point higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4 percent) and one percentage point higher (8.5 percent decreasing to 6 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	\$2,496,650	\$2,067,400	\$1,727,326
	1% Decrease (6.5% Decreasing to 4%)	Current Trend Rate (7.53% Decreasing to 5%)	1% Increase (8.5% Decreasing to 6%)
School District's Proportionate Share of the Net OPEB Liability	\$1,677,541	\$2,067,400	\$2,583,387

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)", and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B reimbursements was extended to January 2020.

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 - Postemployment Benefits (continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent for the unfunded benefit payments was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long-term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$3,834,204	\$2,856,053	\$2,082,992
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$1,984,263	\$2,856,053	\$4,003,429

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 17 - 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.

Note 18 - Long-Term Obligations

The long-term obligations at June 30, 2017 have been restated as described in Note 3. Changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Restated Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
Energy Conservation Bonds FY 2011					
Serial Bonds 4.25%	\$330,000	\$0	\$40,000	\$290,000	\$40,000
School Improvement Refunding Bonds FY 2013					
Serial Bonds 1-3%	7,390,000	0	620,000	6,770,000	635,000
Capital Appreciation Bonds 14.52%	230,000	0	0	230,000	0
Accretion on Capital Appreciation Bonds	148,416	56,939	0	205,355	0
Premium	303,642	0	24,706	278,936	0

(continued)

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 18 - Long-Term Obligations (continued)

	Restated Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Amounts Due Within One Year
Governmental Activities (continued)					
General Obligation Bonds (continued)					
School Improvement Refunding Bonds FY 2014					
Term Bonds 2.25-4%	\$1,905,000	\$0	\$0	\$1,905,000	\$0
Serial Bonds 1-4%	3,875,000	0	205,000	3,670,000	205,000
Capital Appreciation Bonds 14.52%	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	123,978	58,899	0	182,877	0
Premium	528,279	0	18,293	509,986	0
Total General Obligation Bonds	14,974,315	115,838	907,999	14,182,154	880,000
Net Pension Liability					
SERS	5,283,263	0	735,522	4,547,741	0
STRS	23,743,082	0	6,353,911	17,389,171	0
Total Net Pension Liability	29,026,345	0	7,089,433	21,936,912	0
Net OPEB Liability					
SERS	2,079,162	0	11,762	2,067,400	0
STRS	3,793,462	0	937,409	2,856,053	0
Total Net OPEB Liability	5,872,624	0	949,171	4,923,453	0
Compensated Absences	976,939	176,657	82,926	1,070,670	63,975
Capital Leases	130,483	175,552	109,997	196,038	108,295
Total Governmental Activities Long-Term Obligations	\$50,980,706	\$468,047	\$9,139,526	\$42,309,227	\$1,052,270

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 18 - Long-Term Obligations (continued)

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 includes serial and capital appreciation bonds, in the original amount of \$9,070,000 and \$230,000, respectively. The bonds were issued for a sixteen 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 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 2018, \$56,939 was accreted on the capital appreciation bonds for a total value of \$435,355 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 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 includes 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 year period, with final maturity in fiscal year 2032. The bonds are being retired through the Bond Retirement debt service fund.

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.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 18 - Long-Term Obligations (continued)

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

<u>Year</u>	<u>Amount</u>
2023	\$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.

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 2018, \$58,899 was accreted on the capital appreciation bonds for a total value of \$322,877 at fiscal year end.

As of June 30, 2018, the refunded bonds were fully retired.

Net Pension Liability - There is no repayment schedule for the net pension liability; however, employer pension contributions are made primarily from the General Fund, and the Food Service and Title I special revenue funds.

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 \$3,251,165 with an unvoted debt margin of \$158,018 at June 30, 2018.

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 18 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2018, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2019	\$880,000	\$0	\$0	\$369,451	\$1,249,451
2020	765,000	0	40,000	447,614	1,252,614
2021	35,000	90,000	265,000	862,759	1,252,759
2022	690,000	90,000	30,000	432,695	1,242,695
2023	690,000	70,000	35,000	455,898	1,250,898
2024-2028	3,570,000	1,335,000	0	1,210,562	6,115,562
2029-2032	4,100,000	320,000	0	358,175	4,778,175
	\$10,730,000	\$1,905,000	\$370,000	\$4,137,154	\$17,142,154

Note 19 - Capital Leases - Lessee Disclosure

The School District has entered into Capital Leases for vehicles. New capital leases are reflected in the accounts “Pupil Transportation” and “Inception of Capital Lease” in the funds which will be making the lease payments. 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 2018 were \$109,997.

	Governmental Activities
Vehicles	\$436,630
Less Accumulated Depreciation	(58,036)
Carrying Value at June 30, 2018	\$378,594

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, 2018.

Year	Governmental Activities	
	Principal	Interest
2019	\$108,295	\$5,624
2020	43,266	2,456
2021	44,477	1,245
Total	\$196,038	\$9,325

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 20 - 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	Permanent Improvement	Other Governmental	Total Governmental Funds
Nonspendable for:					
Prepaid Items	\$33,918	\$0	\$0	\$575	\$34,493
Materials and Supplies Inventory	0	0	0	8,320	8,320
Unclaimed Monies	2,532	0	0	0	2,532
Total Nonspendable	36,450	0	0	8,895	45,345
Restricted for:					
Athletics and Music	0	0	0	78,726	78,726
Building Construction	0	0	0	20,255	20,255
Debt Retirement	0	1,744,526	0	0	1,744,526
Food Service Operations	0	0	0	224,150	224,150
Regular Instruction	0	0	0	12,454	12,454
School Facilities Maintenance	0	0	0	283,974	283,974
Total Restricted	0	1,744,526	0	619,559	2,364,085
Committed for:					
Termination Benefits	63,550	0	0	0	63,550
Permanent Improvements	0	0	1,166,796	0	1,166,796
Total Committed	63,550	0	1,166,796	0	1,230,346
Assigned for:					
Educational Activities	43,641	0	0	0	43,641
Technology	71,360	0	0	0	71,360
Extracurricular Activities	5,885	0	0	0	5,885
Unpaid Obligations	20,099	0	0	0	20,099
Total Assigned	140,985	0	0	0	140,985
Unassigned (Deficit)	4,414,335	0	0	(46,613)	4,367,722
Total Fund Balance	\$4,655,320	\$1,744,526	\$1,166,796	\$581,841	\$8,148,483

Galion City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 21 - 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 set aside for capital improvements during fiscal year 2018.

	Capital Improvements
Balance June 30, 2017	\$0
Current Year Set Aside Requirement	325,755
Qualifying Expenditures	(325,755)
Current Year Offsets	0
Balance June 30, 2018	\$0

Note 22 - Interfund Transfers

During fiscal year 2018, the General Fund made transfers, in the amount of \$204,659, to the Bond Retirement debt service fund, the Permanent Improvement capital projects fund, and other governmental funds, in the amount of \$34,531, \$168,874, and \$1,254, respectively, as debt payments came due and to subsidize operations of other funds.

Note 23 - 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 \$231,275 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 24 - 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 2018, the School District paid \$143,326 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.

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 Council

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

Note 25 - 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.

Note 25 - Insurance Pools (continued)

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.

Note 26 - 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, 2018.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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, 2018, 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.

Note 27 - Subsequent Event

On October 26, 2018, the School District obtained a loan, in the amount \$2,045,000 for the construction of a new bus garage complex and athletic fields. The loan has an interest rate of 3.32 percent with a final maturity on December 1, 2028.

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REQUIRED SUPPLEMENTARY INFORMATION

Galion City School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Five Fiscal Years (1)

	2018	2017	2016	2015
School District's Proportion of the Net Pension Liability	0.07611560%	0.07218480%	0.06615630%	0.06464600%
School District's Proportionate Share of the Net Pension Liability	\$4,547,741	\$5,283,263	\$3,774,942	\$3,271,698
School District's Payroll	\$2,504,693	\$2,247,621	\$2,020,236	\$1,745,786
School District's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	181.57%	235.06%	186.86%	187.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2014

0.06464600%

\$3,844,290

\$1,678,214

229.07%

65.52%

Galion City School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Liability	0.07320149%	0.07093201%	0.06801801%	0.06749488%
School District's Proportionate Share of the Net Pension Liability	\$17,389,171	\$23,743,082	\$18,798,188	\$16,417,091
School District's Payroll	\$8,144,636	\$7,633,921	\$6,954,314	\$6,967,321
School District's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	213.50%	311.02%	270.31%	235.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	72.10%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2014

0.06749488%

\$19,555,931

\$7,254,192

269.58%

74.70%

Galion City School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.07703440%	0.07294360%
School District's Proportionate Share of the Net OPEB Liability	\$2,067,400	\$2,079,162
School District's Payroll	\$2,504,693	\$2,247,621
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll	82.54%	92.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

Galion City School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net OPEB Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.07320149%	0.07093201%
School District's Proportionate Share of the Net OPEB Liability	\$2,856,053	\$3,793,462
School District's Payroll	\$8,144,636	\$7,633,921
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll	35.07%	49.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

Galion City School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$328,466	\$350,657	\$314,667	\$266,267
Contributions in Relation to the Contractually Required Contribution	<u>(328,466)</u>	<u>(350,657)</u>	<u>(314,667)</u>	<u>(266,267)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Payroll	\$2,433,081	\$2,504,693	\$2,247,621	\$2,020,236
Contributions as a Percentage of Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (2)	\$50,647	\$41,036	\$36,018	\$50,636
Contributions in Relation to the Contractually Required Contribution	<u>(50,647)</u>	<u>(41,036)</u>	<u>(36,018)</u>	<u>(50,636)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Payroll	<u>2.08%</u>	<u>1.64%</u>	<u>1.60%</u>	<u>2.51%</u>
Total Contributions as a Percentage of Payroll (2)	<u>50,647</u>	<u>41,036</u>	<u>36,018</u>	<u>50,636</u>

(1) The School District's covered payroll is the same for pension and OPEB.

(2) Includes surcharge.

See Accompanying Notes to the Required Supplementary Information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$241,966	\$232,265	\$252,091	\$258,294	\$272,251	\$184,563
<u>(241,966)</u>	<u>(232,265)</u>	<u>(252,091)</u>	<u>(258,294)</u>	<u>(272,251)</u>	<u>(184,563)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,745,786	\$1,678,214	\$1,874,283	\$2,054,843	\$2,010,720	\$1,875,644
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$34,983	\$34,669	\$37,759	\$60,176	\$49,463	\$115,540
<u>(34,983)</u>	<u>(34,669)</u>	<u>(37,759)</u>	<u>(60,176)</u>	<u>(49,463)</u>	<u>(115,540)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.00%</u>	<u>2.07%</u>	<u>2.01%</u>	<u>2.93%</u>	<u>2.46%</u>	<u>6.16%</u>
<u>34,983</u>	<u>34,669</u>	<u>37,759</u>	<u>60,176</u>	<u>49,463</u>	<u>115,540</u>

Galion City School District
 Required Supplementary Information
 Schedule of the School District's Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$1,162,253	\$1,140,249	\$1,068,749	\$973,604
Contributions in Relation to the Contractually Required Contribution	<u>(1,162,253)</u>	<u>(1,140,249)</u>	<u>(1,068,749)</u>	<u>(973,604)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Payroll	\$8,301,807	\$8,144,636	\$7,633,921	\$6,954,314
Contributions as a Percentage of Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$905,740	\$943,045	\$1,062,302	\$1,139,226	\$1,132,834	\$1,081,642
<u>(905,740)</u>	<u>(943,045)</u>	<u>(1,062,302)</u>	<u>(1,139,226)</u>	<u>(1,132,834)</u>	<u>(1,081,642)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,967,231	\$7,254,192	\$8,171,554	\$8,763,277	\$8,714,108	\$8,320,323
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$69,672	\$72,542	\$81,716	\$87,633	\$87,141	\$83,203
<u>(69,672)</u>	<u>(72,542)</u>	<u>(81,716)</u>	<u>(87,633)</u>	<u>(87,141)</u>	<u>(83,203)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Galion City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, Including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below.

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	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 commences on fifth anniversary of retirement date

Galion City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability (continued)

For fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)", and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

SUPPLEMENTARY INFORMATION

**GALION CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(D) School Breakfast Program	10.553	2018	\$ 182,123
(D) National School Lunch Program	10.555	2018	453,291
(C) National School Lunch Program - Food Donation	10.555	2018	56,971
Total National School Lunch Program			<u>510,262</u>
(D) Special Milk Program for Children	10.556	2018	934
(D) Summer Food Service Program for Children	10.559	2018	10,279
Total Child Nutrition Cluster			<u>703,598</u>
Total U.S. Department of Agriculture			<u>703,598</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2017	56,583
Title I Grants to Local Educational Agencies	84.010	2018	456,522
Total Title I Grants to Local Educational Agencies			<u>513,105</u>
Special Education Cluster:			
Special Education_Grants to States	84.027	2017	48,075
Special Education_Grants to States	84.027	2018	392,659
Total Special Education_Grants to States			<u>440,734</u>
Special Education_Preschool Grants	84.173	2018	14,545
Total Special Education Cluster			<u>455,279</u>
Student Support and Academic Enrichment	84.424A	2018	2,305
Career and Technical Education	84.048	2018	5,980
Rural Education	84.358	2017	2,012
Rural Education	84.358	2018	60,330
Total Rural Education			<u>62,342</u>
Supporting Effective Instruction State Grants	84.367	2018	68,006
Total U.S. Department of Education			<u>1,107,017</u>
Total Federal Financial Assistance			<u>\$ 1,810,615</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2018.
- (B) This schedule includes the federal award activity of the Galion City School District under programs of the federal government for the fiscal year ended June 30, 2018 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Galion City School District, it is not intended to and does not present the financial position or changes in net position of the Galion City School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Galion City School District has not elected to use the 10% de minimis indirect cost rate.



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**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, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Galion City School District's basic financial statements and have issued our report thereon dated December 27, 2018, wherein we noted as discussed in Note 3, the Galion City School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Galion City School 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 Galion City School 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 Galion City School 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 Galion City School 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 Galion City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Galion City School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 27, 2018



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Compliance with Requirements Applicable to the
Major Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

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 compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Galion City School District's major federal program for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Galion City School District's major federal program.

Management's Responsibility

The Galion City School District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Galion City School District's compliance for the Galion City School 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Galion City School 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 Galion City School District's major program. However, our audit does not provide a legal determination of the Galion City School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Galion City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

The Galion City School 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 Galion City School 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 the Uniform Guidance, 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 Galion City School 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 27, 2018

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR §200.516(a)?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



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 19, 2019**