



**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Galion City School District, Crawford County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements.

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

JIM PETRO
Auditor of State

December 22, 2000

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**Galion City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$457,816	\$282,559	\$41,363
Receivables:			
Taxes	5,218,101		
Accounts	15,813	301	
Interfund Receivable	722		
Materials and Supplies Inventory	13,184		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	449,679		
Fixed Assets			
Accumulated Depreciation			
Other Debits:			
Provided from General Government Resources			
Total Assets and Other Debits	<u><u>\$6,155,315</u></u>	<u><u>\$282,860</u></u>	<u><u>\$41,363</u></u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$19,864	\$10,375	\$200
Accrued Wages and Benefits	1,250,832	80,412	
Compensated Absences Payable	20,102		
Interfund Payable		486	236
Intergovernmental Payable	204,745	15,705	
Deferred Revenue	3,847,891		
Due to Students			
Capital Leases Payable			
Energy Conservation Bonds Payable			
General Obligation Bonds Payable			
Total Liabilities	<u><u>5,343,434</u></u>	<u><u>106,978</u></u>	<u><u>436</u></u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved:			
Reserved for Encumbrances	188,853	62,774	867
Reserved for Inventory	13,184		
Reserved for Contributions			
Reserved for Property Taxes	1,370,210		
Reserved for Textbooks & Instructional Materials	269,414		
Reserved for Budget Stabilization	180,265		
Unreserved:			
Unreserved, Undesignated	(1,210,045)	113,108	40,060
Total Fund Equity and Other Credits	<u><u>811,881</u></u>	<u><u>175,882</u></u>	<u><u>40,927</u></u>
Total Liabilities, Fund Equity and Other Credits	<u><u>\$6,155,315</u></u>	<u><u>\$282,860</u></u>	<u><u>\$41,363</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$33,244	\$152,524			\$967,506
				5,218,101
1,078	265			17,457
				722
10,319				23,503
				449,679
207,806 (194,723)		\$9,405,883		9,613,689 (194,723)
			\$1,207,841	1,207,841
<u>\$57,724</u>	<u>\$152,789</u>	<u>\$9,405,883</u>	<u>\$1,207,841</u>	<u>\$17,303,775</u>
	\$831			\$31,270
\$39,090				1,370,334
17,930			\$934,855	972,887
				722
15,927			103,669	340,046
1,892				3,849,783
	90,693			90,693
			3,701	3,701
			38,660	38,660
			126,956	126,956
<u>74,839</u>	<u>91,524</u>		<u>1,207,841</u>	<u>6,825,052</u>
		\$9,405,883		9,405,883
(17,115)				(17,115)
	699			253,193
				13,184
	41,000			41,000
				1,370,210
				269,414
				180,265
	19,566			(1,037,311)
<u>(17,115)</u>	<u>61,265</u>	<u>9,405,883</u>		<u>10,478,723</u>
<u>\$57,724</u>	<u>\$152,789</u>	<u>\$9,405,883</u>	<u>\$1,207,841</u>	<u>\$17,303,775</u>

Galion City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended June 30, 2000

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$7,535,459	\$841,164
Interest	75,518	5,335
Tuition and Fees	105,526	
Rent	6,718	
Extracurricular Activities		138,108
Gifts and Donations		26,988
Customer Services	82,570	
Property & Other Local Taxes	5,144,740	
Miscellaneous	123,865	
Total Revenues	13,074,396	1,011,595
Expenditures:		
Instruction:		
Regular	6,392,004	169,677
Special	1,250,691	414,234
Vocational	119,862	
Other	41,900	6,705
Support services:		
Pupils	703,714	17,539
Instructional Staff	613,023	95,359
Board of Education	21,109	
Administration	1,131,661	68,599
Fiscal	318,925	1,780
Operation and Maintenance of Plant	1,334,182	8,060
Pupil Transportation	610,696	105
Central	74,343	10,924
Non-Instructional Services		122,806
Extracurricular activities	342,868	166,376
Capital Outlay	36,878	
Debt Service		
Debt Service - Principal	3,723	
Debt Service - Interest	489	
Total Expenditures	12,996,068	1,082,164
Excess of Revenues Over (Under) Expenditures	78,328	(70,569)
Other Financing Sources and Uses		
Operating Transfers In		71,700
Proceeds from Sale of Fixed Assets	293	
Operating Transfers Out	(152,750)	
Total Other Financing Sources (Uses)	(152,457)	71,700
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(74,129)	1,131
Fund Balance at Beginning of Year	886,010	174,751
Fund Balance at End of Year	\$811,881	\$175,882

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$65,884		\$8,442,507
		\$465	81,318
			105,526
			6,718
		7,701	145,809
		250	27,238
			82,570
			5,144,740
			123,865
	<u>65,884</u>	<u>8,416</u>	<u>14,160,291</u>
	44,636		6,606,317
		750	1,665,675
			119,862
			48,605
			721,253
	23,687		732,069
			21,109
			1,200,260
			320,705
	62,239		1,404,481
			610,801
			85,267
			122,806
		8,408	517,652
			36,878
\$33,380			37,103
10,246			10,735
<u>43,626</u>	<u>130,562</u>	<u>9,158</u>	<u>14,261,578</u>
<u>(43,626)</u>	<u>(64,678)</u>	<u>(742)</u>	<u>(101,287)</u>
43,626	36,823		152,149
			293
			(152,750)
<u>43,626</u>	<u>36,823</u>		<u>(308)</u>
	(27,855)	(742)	(101,595)
	68,782	13,169	1,142,712
	<u>\$40,927</u>	<u>\$12,427</u>	<u>\$1,041,117</u>

Galion City School District
**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)**
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended June 30, 2000

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$7,629,139	\$7,629,139	
Interest	74,328	74,412	\$84
Tuition and Fees	154,442	154,442	
Rent	6,718	6,718	
Extracurricular Activities			
Gifts and Donations			
Customer Services	82,570	82,570	
Property & Other Local Taxes	5,160,472	5,160,472	
Miscellaneous	122,441	122,441	
Total Revenues	13,230,110	13,230,194	84
Expenditures:			
Current:			
Instruction:			
Regular	6,518,194	6,518,194	
Special	1,244,945	1,244,945	
Vocational	134,094	134,094	
Other	42,042	42,042	
Support services:			
Pupils	714,197	714,197	
Instructional Staff	632,870	632,870	
Board of Education	22,349	22,349	
Administration	1,154,620	1,154,620	
Fiscal	314,419	314,419	
Operation and Maintenance of Plant	1,408,300	1,408,300	
Pupil Transportation	635,549	635,549	
Central	78,935	78,935	
Non-Instructional Services			
Extracurricular activities	342,859	342,859	
Capital Outlay	39,938	39,938	
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	13,283,311	13,283,311	
Excess of Revenues Over (Under) Expenditures	(53,201)	(53,117)	84
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	293	293	
Refund of Prior Year Expenditures	16	16	
Advances In	10,469	10,469	
Operating Transfers Out	(152,750)	(152,750)	
Refund of Prior Year Receipts			
Advances Out	(9,722)	(9,722)	
Total Other Financing Sources (Uses)	(151,694)	(151,694)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(204,895)	(204,811)	84
Fund Balances at Beginning of Year	478,783	478,783	
Prior Year Encumbrances Appropriated	424,808	424,808	
Fund Balance at end of Year	\$698,696	\$698,780	\$84

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types					
Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$1,003,273	\$841,164	(\$162,109)			
4,879	5,335	456			
137,807	137,807				
26,988	26,988				
<u>1,172,947</u>	<u>1,011,294</u>	<u>(161,653)</u>			
255,450	199,463	55,987			
476,644	413,607	63,037			
30,000	15,243	14,757			
24,695	17,607	7,088			
129,510	96,600	32,910			
78,615	66,787	11,828			
1,943	1,772	171			
8,060	8,060				
216	105	111			
24,983	11,691	13,292			
176,525	133,322	43,203			
186,289	186,289				
			\$38,773	\$38,773	
			4,854	4,854	
<u>1,392,930</u>	<u>1,150,546</u>	<u>242,384</u>	<u>43,627</u>	<u>43,627</u>	
<u>(219,983)</u>	<u>(139,252)</u>	<u>80,731</u>	<u>(43,627)</u>	<u>(43,627)</u>	
71,700	71,700		43,627	43,627	
9,486	9,486				
(1,456)	(1,456)				
<u>(10,469)</u>	<u>(10,469)</u>				
<u>69,261</u>	<u>69,261</u>	<u>0</u>	<u>43,627</u>	<u>43,627</u>	
(150,722)	(69,991)	80,731			
176,863	176,863				
<u>102,536</u>	<u>102,536</u>				
<u>\$128,677</u>	<u>\$209,408</u>	<u>\$80,731</u>			

(Continued)

Galion City School District
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended June 30, 2000
(Continued)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$118,367	\$65,884	(\$52,483)
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Income Tax			
Property & Other Local Taxes			
Miscellaneous			
Total Revenues	<u>118,367</u>	<u>65,884</u>	<u>(52,483)</u>
Expenditures:			
Current:			
Instruction:			
Regular	61,606	61,745	(139)
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	42,672	24,005	18,667
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant	123,000	62,239	60,761
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	13,000		13,000
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>240,278</u>	<u>147,989</u>	<u>92,289</u>
Excess of Revenues Over (Under) Expenditures	<u>(121,911)</u>	<u>(82,105)</u>	<u>39,806</u>
Other Financing Sources and Uses			
Operating Transfers In	36,823	36,823	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In	236	236	
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out	(236)		236
Total Other Financing Sources (Uses)	<u>36,823</u>	<u>37,059</u>	<u>236</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(85,088)	(45,046)	40,042
Fund Balances at Beginning of Year	52,527	52,527	
Prior Year Encumbrances Appropriated	32,561	32,561	
Fund Balance at end of Year	<u><u>\$40,042</u></u>	<u><u>\$40,042</u></u>	

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Type			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$8,750,779	\$8,536,187	(\$214,592)
\$412	\$465	\$53	79,619	80,212	593
			154,442	154,442	
			6,718	6,718	
7,436	7,436		145,243	145,243	
250	250		27,238	27,238	
			82,570	82,570	
			5,160,472	5,160,472	
			122,441	122,441	
8,098	8,151	53	14,529,522	14,315,523	(213,999)
			6,835,250	6,779,402	55,848
750	750		1,722,339	1,659,302	63,037
			134,094	134,094	
			72,042	57,285	14,757
			738,892	731,804	7,088
			805,052	753,475	51,577
			22,349	22,349	
			1,233,235	1,221,407	11,828
			316,362	316,191	171
			1,539,360	1,478,599	60,761
			635,765	635,654	111
			103,918	90,626	13,292
			176,525	133,322	43,203
9,249	9,249		538,397	538,397	
			52,938	39,938	13,000
			38,773	38,773	
			4,854	4,854	
9,999	9,999		14,970,145	14,635,472	334,673
(1,901)	(1,848)	53	(440,623)	(319,949)	120,674
			152,150	152,150	
			293	293	
			16	16	
			20,191	20,191	
			(152,750)	(152,750)	
			(1,456)	(1,456)	
			(20,427)	(20,191)	236
			(1,983)	(1,747)	236
(1,901)	(1,848)	53	(442,606)	(321,696)	120,910
12,656	12,656		720,829	720,829	
655	655		560,560	560,560	
\$11,410	\$11,463	\$53	\$838,783	\$959,693	\$120,910

**Galion City School District
 Combined Statement of Revenues, Expenses
 and Changes in Fund Equity
 Proprietary Fund Type and Nonexpendable Trust Fund
 For the Year Ended June 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$324,420		\$324,420
Interest		\$4,095	4,095
Other Revenue	3,441		3,441
Contributions and Donations		11,000	11,000
Total Operating Revenues	<u>327,861</u>	<u>15,095</u>	<u>342,956</u>
Operating Expenses			
Salaries	206,023		206,023
Fringe Benefits	111,453		111,453
Purchased Services	1,236	2,900	4,136
Materials and Supplies	240,021		240,021
Depreciation	1,805		1,805
Total Operating Expenses	<u>560,538</u>	<u>2,900</u>	<u>563,438</u>
Operating Income (Loss)	(232,677)	12,195	(220,482)
Non-Operating Revenues and Expenses			
Federal Donated Commodities	25,697		25,697
Interest	2,561		2,561
Federal and State Subsidies	184,145		184,145
Total Non-Operating Revenues and Expenses	<u>212,403</u>		<u>212,403</u>
Income (Loss) Before Operating Transfers	(20,274)	12,195	(8,079)
Operating Transfers-In	601		601
Net Income (Loss)	(19,673)	12,195	(7,478)
Retained Earnings/Fund Balance at Beginning of Year	2,558	36,643	39,201
Retained Earnings/Fund Balance at End of Year	<u>(\$17,115)</u>	<u>\$48,838</u>	<u>\$31,723</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**Galion City School District
Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund
For the Year Ended June 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$324,688		\$324,688
Other Cash Receipts	3,441	\$11,000	14,441
Cash Payments to Suppliers for Goods and Service	(212,809)		(212,809)
Cash Payments for Contract Services	(1,236)	(2,900)	(4,136)
Cash Payments for Employee Services	(197,524)		(197,524)
Cash Payments for Employee Benefits	(118,088)		(118,088)
Net Cash Provided (Used) by Operating Activities	<u>(201,528)</u>	<u>8,100</u>	<u>(193,428)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	184,145		184,145
Transfers In	601		601
Net Cash Provided (Used) by Noncapital Financing Activities	<u>184,746</u>		<u>184,746</u>
Cash Flows from Investing Activities:			
Interest Received	2,561	4,095	6,656
Net Cash Provided (Used) by Investing Activities	<u>2,561</u>	<u>4,095</u>	<u>6,656</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	(6,982)		(6,982)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,982)</u>		<u>(6,982)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(21,203)	12,195	(9,008)
Cash and Cash Equivalents at Beginning of Year	54,447	36,643	91,090
Cash and Cash Equivalents at End of Year	<u><u>\$33,244</u></u>	<u><u>\$48,838</u></u>	<u><u>\$82,082</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$232,677)	\$12,195	(\$220,482)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,805		1,805
Donated Commodities Used During the Year	25,697		25,697
Adjustments to Capital Outlay	1,252		1,252
Nonexpendable Trust Interest		(4,095)	(4,095)
(Increase) Decrease in Assets:			
Accounts Receivable	268		268
Material and Supplies Inventory	2,387		2,387
Increase (Decrease) in Liabilities:			
Accounts Payable	(89)		(89)
Compensated Absences Payable	1,325		1,325
Intergovernmental Payable	(1,620)		(1,620)
Deferred Revenue	(2,036)		(2,036)
Accrued Wages and Benefits	2,160		2,160
Total Adjustments	<u>(201,528)</u>	<u>\$8,100</u>	<u>(193,428)</u>

Net Cash Provided (Used) by Operating Activities

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2000:		
Cash and Cash Equivalents — Trust and Agency Funds		\$152,524
Less: Expendable Trust Funds		(12,417)
Less: Agency Funds		(91,269)
Cash and Cash Equivalents — Nonexpendable Trust Fund		<u><u>\$48,838</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The 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 statute and/or federal guidelines.

The School District was established in 1847 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 32 square miles. It is located in Crawford County, and includes the City of Galion and Polk Township. The School District is 225th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 78 non-certificated employees and 165 certificated full-time teaching personnel who provide services to 2,370 students and other community members. The School District currently operates 6 instructional buildings and one garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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. The School District does not have any component units.

The School District is associated with four organizations, which are defined as a joint venture, a jointly governed organization, and insurance purchasing pools. These organizations include the North Central Ohio Computer Cooperative, the Pioneer Joint Vocational School District, the Ohio School Boards Association Worker's Compensation Group Rating Plan, and the Wyandot-Crawford Health Benefit Plan Trust Agreement. These organizations are presented in Notes 16, 17, and 18 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types:

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

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, non-expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

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

B. Measurement Focus and Basis of Accounting

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary and non-expendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the non-expendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Crawford County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, supplemental appropriations were legally enacted.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2000, investments were limited to STAR Ohio. Investment earnings are allocated as authorized by state statute based upon School District policy. Investment revenue allocated to the General fund amounted to \$75,518, which included \$18,427 assigned from other School District funds.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investments purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventory of governmental funds is stated at cost while inventory of proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory of proprietary funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Auxiliary Services
- Education Management Information Systems
- Title VI-R
- Public School Preschool
- Disadvantaged Pupil Impact Aid Fund
- Network Connect Subsidy
- School Net Professional Development
- Ohio Reads Grant
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Preschool Grant
- Teacher Development
- Financial Literacy Grant
- Textbook/Materials Subsidy
- Eisenhower Grant
- School Conflict Management
- Safe School Helpline

Capital Projects Funds

- School Net
- School Net Plus
- Technology Equity
- Emergency School Building Repair

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

Reimbursable Grants

General Fund

Driver Education Reimbursement

Enterprise Funds

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 58 percent of the School District's operating revenue during the 2000 fiscal year.

H. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 10 years of current service and at least 45 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long Term Obligations Account Group until due.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set-aside by the School District to create a reserve for budget stabilization and textbook and instructional materials. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, textbooks and instructional materials, budget stabilization, and contributions.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by state statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies the legal restrictions on the use of principal.

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY/COMPLIANCE

At June 30, 2000, the Disadvantaged Pupils Impact Aid, the Title I, and the Food Service funds had deficit fund balances of \$6,245, \$46,649 and \$21,905 respectively which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Appropriations exceeded actual resources in several funds at June 30, 2000.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary and Actual (Non GAAP Budgetary Basis) All Governmental Fund Types and Expendable Trust Funds 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 GAAP basis are that:

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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	(\$204,811)	(\$69,991)	(\$45,046)	(\$1,848)
Net Adjustments for:				
Revenue Accruals	(155,798)	301		265
Expenditure Accruals	78,528	(4,768)	16,106	(113)
Other Sources/Uses	(764)	2,439	(236)	
Encumbrances	208,716	73,150	1,321	954
GAAP Basis	<u>\$74,129</u>	<u>\$1,131</u>	<u>(\$27,855)</u>	<u>(\$742)</u>

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-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
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$511,594 and the bank balance was \$543,925. Of the bank balance, \$100,000 was covered by federal depository insurance and \$443,925 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the financial institution's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments of \$905,591 in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located within the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88 percent of true value (with certain exceptions). Real property is assessed at 35 percent of appraised market value and personal property is assessed at 100 percent of market value except for personal property of rural electric companies, which are assessed at 50 percent of market, and railroads, which are assessed at 29 percent.

Tangible personal property taxes attach as a lien and are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the 2000 taxes were collected was \$152,912,028, of which real and public utility property represented 82 percent (\$125,445,940) of the total, and tangible personal property represented 18 percent (\$27,466,088). The voted general tax rate for operations at the fiscal year ended June 30, 2000, was \$58.60 per \$1,000 of assessed valuation.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Crawford, Richland, and Morrow County Treasurers collect property tax on behalf of the District. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current fiscal year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating this revenue in accordance with Ohio Revised Code Section 5705.35, since an advance of revenue was not requested and received prior to the end of the fiscal year.

7. RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees) and interfund. All receivables are considered collectible in full.

A summary of the principle items of receivables follows:

	Amount
General Fund	
Taxes	\$5,218,101
Accounts	15,813
Interfund	722
Special Revenue Funds	
Accounts	301
Enterprise Funds	
Accounts	1,078
Trust and Agency Funds	
Accounts	265
Total Receivables	\$5,236,280

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$456,765		\$550	\$456,215
Buildings and Improvements	6,074,520			6,074,520
Furniture and Equipment	2,230,532	\$267,995	206,542	2,291,985
Vehicles	482,190	120,213	19,240	583,163
Totals	<u><u>\$9,244,007</u></u>	<u><u>\$388,208</u></u>	<u><u>\$226,332</u></u>	<u><u>\$9,405,883</u></u>

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$207,806
Less: Accumulated Depreciation	<u>(194,723)</u>
Net Fixed Assets	<u><u>\$13,083</u></u>

9. RISK MANAGEMENT

The District is subject to various risks of loss related to torts, theft of, or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles.

Vehicle policies include liability coverage for bodily injury and property damage and uninsured motorists. The liability limits are \$2,000,000 for each accident and medical coverage of \$50,000 per person.

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

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

Settled claims have not exceeded this commercial coverage in any of the past three years.

OSBA Group Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the immediate Past President of the OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. RISK MANAGEMENT (Continued)

OSBA Group Rating Program (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Gates-McDonald & Company provides administrative, cost control and actuarial services to the GRP.

10. CAPITAL LEASES

The School District has entered into capitalized leases for the acquisition of telecommunication systems.

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Financial Statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long Term Obligation Account Group. Principal payments in fiscal year 2000 totaled \$3,723. This amount is reflected as debt service principal retirement in the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	Telecommunications
2001	3,860
Total	\$3,860
Less: Amount Representing Interest	(159)
Present Value of Net Minimum Lease Payments	\$3,701

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance at 07/01/99	Additions	Deductions	Balance at 06/30/00
Energy Conservation Bonds	\$56,355		\$17,695	\$38,660
General Obligation Bonds	82,641		10,927	71,714
Boiler Replacement Bonds	60,000		4,758	55,242
Long Term Bonds	\$198,996		\$33,380	\$165,616
Capital Leases	7,424		3,723	3,701
Pension Obligation	104,981		1,312	103,669
Compensated Absences	928,403	\$6,452		934,855
Total Long Term Obligations	<u>\$1,239,804</u>	<u>\$6,452</u>	<u>\$38,415</u>	<u>\$1,207,841</u>

Elevator Construction General Obligation Bonds - On August 25, 1995, the Galion City School District issued \$115,000 in voted general obligation bonds for the purpose of acquiring and installing an elevator and wheelchair access ramp. The bonds were issued for a ten-year period with final maturity at December 1, 2005. The bonds will be retired from the debt service fund. The interest rate is 5.4 percent.

Energy Conservation Improvement Bonds - On June 18, 1992, the Galion City School District issued \$155,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a ten-year period with final maturity during fiscal year 2002. The bonds will be retired from the debt service fund. The interest rate is 5.95 percent.

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

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$13,762,083 with an unvoted debt margin of \$152,912 at June 30, 2000.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2000, are as follows:

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$35,353	\$8,274	\$43,627
2002	37,357	6,270	43,627
2003	18,377	4,461	22,838
2004	19,342	3,496	22,838
2005	20,358	2,480	22,838
2006-2009	34,829	3,167	37,996
Total	<u>\$165,616</u>	<u>\$28,148</u>	<u>\$193,764</u>

12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, recreation and extended daycare. The table below reflects the more significant financial data relating to the enterprise funds of the Galion City School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Recreation	Extended Daycare	Totals
Operating Revenues	\$322,922	\$1,498	\$3,441		\$327,861
Operating Expenses	551,801	2,456	3,876	\$600	558,733
Depreciation Expense	1,805				1,805
Operating Income (Loss)	(230,684)	(958)	(435)	(600)	(232,677)
Donated Commodities	25,697				25,697
Grants	184,145				184,145
Interest	2,561				2,561
Transfers In				601	601
Net Income (Loss)	(18,281)	(958)	(435)	1	(19,673)
Fixed Asset Additions	6,255				6,255
Net Working Capital	(3,975)	733	4,057		815
Total Assets	52,934	733	4,057		57,724
Total Liabilities	74,839				74,839
Total Equity	(21,905)	733	4,057		(17,115)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Galion City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$264,184, \$252,047 and \$234,890, respectively; 49 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$134,184 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Galion City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999, were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rate of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,072,639, \$1,064,906, and \$1,013,908 respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$180,544 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000 will be 8 percent of covered payroll. For the District this amount equals to \$612,937 for fiscal year 2000.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. The current allocation rate is 8.50 percent, which is an increase from 6.30 percent at June 30, 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District the amount to fund health care benefits, including the surcharge, was \$149,234 for fiscal year 2000.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 47 days for classified employees and 52 days for certified employees.

16. JOINT VENTURE WITHOUT EQUITY INTEREST

North Central Ohio Computer Cooperative - The North Central Ohio Computer Cooperative (NCOCC) is a governmental joint venture consisting of 21 school districts and 3 county boards of education. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NCOCC based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in the net obligations or asset liquidation in a ratio proportionate to their last twelve months financial obligations. NCOCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NCOCC as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Jerry Payne, who serves as Treasurer, at P. O. Box 309, 27 Ryan Road, Shelby, Ohio 44875.

17. JOINTLY GOVERNED ORGANIZATIONS

Pioneer Joint Vocational School District - The Pioneer Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pioneer Joint Vocational School District, Jerry A. Payne, who serves as Treasurer, at 27 Ryan Road, Shelby, Ohio 44875.

18. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

18. INSURANCE PURCHASING POOLS

Wyandot-Crawford Health Benefit Plan Trust Agreement - The School District has joined together with Carey Exempted Village School District, Colonel Crawford Local School District, Upper Sandusky Exempted Village School District, and Buckeye Central Local School District to form the Wyandot-Crawford Health Benefit Plan Trust Agreement, a public entity shared risk pool, operating as a common risk management and insurance program for the member school districts. The plan was organized to provide benefit coverage for employees and dependents and designated beneficiaries of such employees. The Huntington National Bank serves as trustee for the Wyandot-Crawford Health Benefit Plan Trust Agreement.

19. CONTINGENCIES

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 are 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, 2000.

20. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the fund balance reserves for textbooks, capital acquisition and improvements, and budget stabilization during fiscal year 2000. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999			\$180,265	\$180,265
Current Year Set-aside Requirement	\$294,212	\$294,212		588,424
Current Year Offsets				
Qualifying Disbursements	<u>(24,798)</u>	<u>(294,212)</u>		<u>(319,010)</u>
Balance at June 30, 2000	<u>\$269,414</u>	<u>\$0</u>	<u>\$180,265</u>	<u>\$449,679</u>
Amount restricted for Textbooks				\$269,414
Amount restricted for Budget Stabilization				<u>180,265</u>
Total Restricted Assets				<u>\$449,679</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

21. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$7,006,777 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non Cash Receipts	Disburse- ments	Non Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution	34-6400544	10.550	\$0	\$23,485	\$0	\$25,697
School Breakfast Program	05-PU 1999	10.553	4,058		4,058	
	05-PU 2000		23,757		23,757	
Total School Breakfast Program			<u>27,815</u>		<u>27,815</u>	
National School Lunch Program	03-PU 1999	10.555	3,583		3,583	
	03-PU 2000		21,726		21,726	
	04-PU 1999		17,292		17,292	
	04-PU 2000		102,527		102,527	
Total National School Lunch Program			<u>145,128</u>		<u>145,128</u>	
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>172,943</u>	<u>23,485</u>	<u>172,943</u>	<u>25,697</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF 1998 P	84.027	3,790		16,037	
	6B-SF 1999 P		115,870		83,008	
Total Special Education Grants to States			<u>119,660</u>		<u>99,045</u>	
Special Education - Preschool Grant	PG-S1 1998 P	84.173	0		4,920	
	PG-S1 1999 P		12,754		11,220	
Total Special Education - Preschool Grant			<u>12,754</u>		<u>16,140</u>	
Total Special Education Cluster			<u>132,414</u>		<u>115,185</u>	
Title I Grants to Local Educational Agencies	C1-S1 1999	84.010	34,920		49,127	
	C1-S1 1999 C		3,818		3,818	
	C1-S1 2000		384,474		363,157	
	C1-SD 2000		11,625		11,625	
Total Title I Grants to Local Educational Agencies			<u>434,837</u>		<u>427,727</u>	
Eisenhower Professional Development State Grant	MS-S1 1998 P	84.281	0		10,051	
	MS-S1 2000		3,362		4,717	
Total Eisenhower Professional Development State Grant			<u>3,362</u>		<u>14,768</u>	
Safe and Drug-Free Schools and Communities	DR-S1 1999	84.186	15,639		16,362	
	DR-S1 2000		9,769		8,640	
Total Safe and Drug-Free Schools and Communities			<u>25,408</u>		<u>25,002</u>	
Innovative Education Program Strategies	C2-S1 1999 C	84.298	1,724		4,298	
	C2-S1 2000		12,631		5,633	
Total Innovative Education Program Strategies			<u>14,355</u>		<u>9,931</u>	
Class Size Reduction Subsidy	CR-S1 2000	84.340	17,647		0	
<i>Passed Through Pioneer Joint Vocational School:</i>						
Vocational Education - Basic Grants to States	VE-S1 2000	84.048	765		765	
Total U.S. Department of Education			<u>628,788</u>		<u>593,378</u>	
UNITED STATES DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Education:</i>						
Employment Services and Job Training	34-6407662	17.249	0		7,732	
Total U.S. Department of Labor			<u>0</u>		<u>7,732</u>	
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
<i>Passed Through State Library of Ohio Agency:</i>						
State Library Program	34-6407662	45.310	1,258		16,456	
Total Institute of Museum and Library Services			<u>1,258</u>		<u>16,456</u>	
Totals			<u>\$802,989</u>	<u>\$23,485</u>	<u>\$790,509</u>	<u>\$25,697</u>

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**FOR THE YEAR ENDED JUNE 30, 2000
NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the general purpose financial statements of the Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10517-001. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 22, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-10517-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 22, 2000.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

December 22, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Galion City School District, Crawford County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

December 22, 2000

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA # 84.010; Special Education Grants to States, CFDA #84.027; Special Education - Preschool Grants, CFDA # 84.173
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY
JUNE 30, 2000**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
(Continued)**

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

FINDING NUMBER 2000-10517-001

Obtaining Increased/Decreased Amended Certificates

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The District had budgetary variances in several funds when estimated receipts were compared to actual receipts. The District's failure to request a reduced certificate of estimated resources resulted in appropriations exceeding the amounts available for expenditure (beginning unencumbered funds plus actual receipts) for the following funds:

Fund	Actual Resources	Appropriations	Variance
Martha Holden Jennings	\$ 9,172	\$ 9,290	\$ (118)
Auxiliary Service	129,831	151,376	(21,545)
Ohio Reads	52,781	96,815	(44,034)
School Conflict Management	4,754	5,020	(266)
Title VI-B	132,379	136,063	(3,684)
Title I	452,862	494,171	(41,309)
Title VI	18,596	18,703	(107)
Drug Free Schools	26,130	26,602	(472)
Preschool	17,674	17,927	(253)
Continuous Improvement	7,733	7,826	(93)
Emergency Building Repair	83,517	136,000	(52,483)

We recommend the Treasurer obtain a reduced amended certificate when appropriations exceed actual resources.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000
(Continued)**

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

FINDING NUMBER 2000-10517-002

Timely Posting and Monitoring of Budgeted Revenue and Appropriations

The District passed its appropriation measure and filed its certificate of estimated resources timely. However, the estimated amounts of revenue and the appropriation amounts were not completely posted to the computer system. Consequently, budget to actual amounts were not able to be monitored on a consistent basis. Although the Board received SM-2 reports monthly to review, these reports showed budget and actual amounts for the general fund only. They did not show the amount of estimated revenues and appropriations as passed by the Board for all funds.

The purpose of the budget is to help monitor the financial activity of the District. When budgeted amounts are not posted, funds can not be properly monitored to ensure that appropriations do not exceed estimated revenues and expenditures do not exceed appropriations. Control and accountability over fiscal operations is lost when the budget is not used as a management tool.

To use the budget as an effective management tool, the Treasurer should ensure all approved budgeted amounts are posted to the system timely and prepare monthly reports which show the budgeted and actual amount of receipts and disbursements for all funds. The Board should review and use these reports to monitor the financial activity of the District.

This reportable condition was also reported in the audit of the District's June 30, 1999 financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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GALION CITY SCHOOL DISTRICT

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2001**