



**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



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 Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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 Galion City School District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, effective in 2001, the District reclassified certain assets from the expendable trust fund classification to the special revenue fund classification.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2001, 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.

We performed our audit to form 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. We subject this information 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 27, 2001

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**Galion City School District
Combined Balance Sheet
All Fund Types and Account Groups
For the Year Ended June 30, 2001**

	<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	\$875,926	\$301,134	\$144,239
Receivables:			
Taxes	5,358,960		
Intergovernmental Accounts		63,398	
Accrued Interest	5,779		
Interfund Receivable	51,925		
Materials and Supplies Inventory			
Prepaid Items	21,367		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	265,278		
Fixed Assets Accumulated Depreciation			
Other Debits:			
Provided from General Government Resources			
Total Assets and Other Debits	<u>\$6,579,235</u>	<u>\$364,532</u>	<u>\$144,239</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$57,353	\$10,673	\$38,260
Accrued Wages and Benefits	1,303,488	81,667	
Compensated Absences Payable	36,661		
Interfund Payable		51,914	11
Intergovernmental Payable	192,870	11,963	
Deferred Revenue	3,948,536	16,598	
Due to Students			
Energy Conservation Loan Payable			
General Obligation Bonds Payable			
Total Liabilities	<u>5,538,908</u>	<u>172,815</u>	<u>38,271</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved:			
Reserved for Encumbrances	409,656	16,410	62,236
Reserved for Prepaid Items	21,367		
Reserved for Contributions			
Reserved for Property Taxes	1,410,424		
Reserved for Textbooks & Instructional Materials	183,426		
Reserved for Budget Stabilization	81,852		
Unreserved:			
Unreserved, Undesignated	(1,066,398)	175,307	43,732
Total Fund Equity and Other Credits	<u>1,040,327</u>	<u>191,717</u>	<u>105,968</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$6,579,235</u>	<u>\$364,532</u>	<u>\$144,239</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$26,318	\$157,030			\$1,504,647
				5,358,960
618				63,398
				618
				5,779
				51,925
9,844				9,844
				21,367
				265,278
207,806		\$9,601,137		9,808,943
(196,346)				(196,346)
			\$1,158,622	1,158,622
<u>\$48,240</u>	<u>\$157,030</u>	<u>\$9,601,137</u>	<u>\$1,158,622</u>	<u>\$18,053,035</u>
	\$997			\$107,283
\$39,955				1,425,110
18,339			\$936,944	991,944
				51,925
13,104			91,415	309,352
4,037				3,969,171
	91,773			91,773
			19,897	19,897
			110,366	110,366
<u>75,435</u>	<u>92,770</u>		<u>1,158,622</u>	<u>7,076,821</u>
		\$9,601,137		9,601,137
(27,195)				(27,195)
	0			488,302
				21,367
	41,000			41,000
				1,410,424
				183,426
				81,852
	23,260			(824,099)
<u>(27,195)</u>	<u>64,260</u>	<u>9,601,137</u>		<u>10,976,214</u>
<u>\$48,240</u>	<u>\$157,030</u>	<u>\$9,601,137</u>	<u>\$1,158,622</u>	<u>\$18,053,035</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, 2001

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$7,937,926	\$950,080
Interest	109,367	5,445
Tuition and Fees	75,974	
Rent	4,177	
Extracurricular Activities		136,144
Gifts and Donations		17,987
Customer Services	10,408	
Property & Other Local Taxes	5,144,941	
Miscellaneous	231,122	
Total Revenues	13,513,915	1,109,656
Expenditures:		
Instruction:		
Regular	6,472,223	280,958
Special	1,426,825	399,690
Vocational	126,167	
Other	69,638	18,518
Support services:		
Pupils	517,368	20,108
Instructional Staff	581,040	100,970
Board of Education	61,713	
Administration	1,107,747	89,809
Fiscal	329,035	1,764
Operation and Maintenance of Plant	1,364,800	
Pupil Transportation	549,477	61
Central	77,732	11,490
Non-Instructional Services		129,182
Extracurricular activities	331,993	125,227
Capital Outlay	46,485	
Debt Service		
Debt Service - Principal	3,701	
Debt Service - Interest	160	
Total Expenditures	13,066,104	1,177,777
Excess of Revenues Over (Under) Expenditures	447,811	(68,121)
Other Financing Sources and Uses		
Operating Transfers In		76,487
Proceeds from Sale of Fixed Assets	314	
Refund of Prior Year Expenditures	0	
Other Financing Sources	0	0
Operating Transfers Out	(219,679)	
Total Other Financing Sources (Uses)	(219,365)	76,487
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	228,446	8,366
Fund Balance at Beginning of Year (Restated)	811,881	183,351
Fund Balance at End of Year	\$1,040,327	\$191,717

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$185,399		\$9,073,405
		\$504	115,316
			75,974
			4,177
		0	136,144
		6,790	24,777
			10,408
			5,144,941
			231,122
	<u>185,399</u>	<u>7,294</u>	<u>14,816,264</u>
	39,990		6,793,171
		750	1,827,265
			126,167
			88,156
	40,660		537,476
			722,670
			61,713
			1,197,556
			330,799
	139,273		1,504,073
			549,538
			89,222
			129,182
		0	457,220
			46,485
\$35,353			39,054
8,274			8,434
<u>43,627</u>	<u>219,923</u>	<u>750</u>	<u>14,508,181</u>
<u>(43,627)</u>	<u>(34,524)</u>	<u>6,544</u>	<u>308,083</u>
43,627	99,565		219,679
			314
			0
			0
			(219,679)
<u>43,627</u>	<u>99,565</u>		<u>314</u>
	65,041	6,544	308,397
	40,927	4,958	1,041,117
	<u>\$105,968</u>	<u>\$11,502</u>	<u>\$1,349,514</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, 2001

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$7,940,326	\$7,940,326	
Interest	108,859	109,179	\$320
Tuition and Fees	82,388	82,388	
Rent	4,177	4,177	
Extracurricular Activities			
Gifts and Donations			
Customer Services	10,408	10,408	
Property & Other Local Taxes	5,104,727	5,104,727	
Miscellaneous	192,231	192,231	
Total Revenues	13,443,116	13,443,436	320
Expenditures:			
Current:			
Instruction:			
Regular	6,592,641	6,592,641	
Special	1,442,458	1,442,458	
Vocational	127,335	127,335	
Other	69,638	69,638	
Support services:			
Pupils	532,809	532,809	
Instructional Staff	582,981	582,981	
Board of Education	68,185	68,185	
Administration	1,087,657	1,087,657	
Fiscal	316,107	316,107	
Operation and Maintenance of Plant	1,538,812	1,538,812	
Pupil Transportation	621,415	621,415	
Central	88,494	88,494	
Non-Instructional Services			
Extracurricular activities	331,450	331,450	
Capital Outlay	46,485	46,485	
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	13,446,467	13,446,467	
Excess of Revenues Over (Under) Expenditures	(3,351)	(3,031)	320
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	314	314	
Refund of Prior Year Expenditures	40,299	40,299	
Advances In	225	225	
Other Financing Sources	0	0	
Operating Transfers Out	(219,679)	(219,679)	
Refund of Prior Year Receipts	(51,428)	(51,428)	
Advances Out			
Total Other Financing Sources (Uses)	(230,269)	(230,269)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(233,620)	(233,300)	320
Fund Balances at Beginning of Year	698,780	698,780	
Prior Year Encumbrances Appropriated	208,716	208,716	
Fund Balance at end of Year	\$673,876	\$674,196	\$320

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)
\$1,014,311	\$903,280	(\$111,031)			
5,138	5,445	307			
130,179	130,179				
17,376	17,376				
<u>1,167,004</u>	<u>1,056,280</u>	<u>(110,724)</u>			
390,837	292,773	98,064			
490,078	403,664	86,414			
23,583	18,806	4,777			
25,021	19,884	5,137			
125,726	106,012	19,714			
103,085	86,949	16,136			
1,771	1,772	(1)			
140	61	79			
20,456	12,943	7,513			
153,169	132,936	20,233			
181,077	123,961	57,116			
			\$35,353	\$35,353	
			8,274	8,274	
<u>1,514,943</u>	<u>1,199,761</u>	<u>315,182</u>	<u>43,627</u>	<u>43,627</u>	
<u>(347,939)</u>	<u>(143,481)</u>	<u>204,458</u>	<u>(43,627)</u>	<u>(43,627)</u>	
140,834	76,487	(64,347)	43,627	43,627	
51,458	51,427	(31)			
	0	0			
<u>192,292</u>	<u>127,914</u>	<u>(64,378)</u>	<u>43,627</u>	<u>43,627</u>	
(155,647)	(15,567)	140,080			
209,408	209,408				
77,071	77,071				
<u>\$130,832</u>	<u>\$270,912</u>	<u>\$140,080</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, 2001

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$186,956	\$185,399	(\$1,557)
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Income Tax			
Property & Other Local Taxes			
Miscellaneous			
Total Revenues	<u>186,956</u>	<u>185,399</u>	<u>(1,557)</u>
Expenditures:			
Current:			
Instruction:			
Regular	130,676	102,226	\$28,450
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	41,153	40,860	293
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant	139,273	139,273	
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>311,102</u>	<u>282,359</u>	<u>28,743</u>
Excess of Revenues Over (Under) Expenditures	<u>(124,146)</u>	<u>(96,960)</u>	<u>27,186</u>
Other Financing Sources and Uses			
Operating Transfers In	99,565	99,565	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out	(225)	(225)	
Total Other Financing Sources (Uses)	<u>99,340</u>	<u>99,340</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(24,806)	2,380	27,186
Fund Balances at Beginning of Year	40,042	40,042	
Prior Year Encumbrances Appropriated	1,321	1,321	
Fund Balance at end of Year	<u>\$16,557</u>	<u>\$43,743</u>	<u>\$27,186</u>

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

Fiduciary Trust Fund			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$9,141,593	\$9,029,005	(\$112,588)
\$416	\$504	\$88	114,413	115,128	715
			82,388	82,388	
			4,177	4,177	
6,530	6,530		136,709	136,709	
7,401	7,401		24,777	24,777	
			10,408	10,408	
			5,104,727	5,104,727	
			192,231	192,231	
<u>14,347</u>	<u>14,435</u>	<u>88</u>	<u>14,811,423</u>	<u>14,699,550</u>	<u>(111,873)</u>
			7,114,154	6,987,640	126,514
5,708	750	4,958	1,938,244	1,846,872	91,372
			127,335	127,335	
			93,221	88,444	4,777
			557,830	552,693	5,137
			749,860	729,853	20,007
			68,185	68,185	
			1,190,742	1,174,606	16,136
			317,878	317,879	(1)
			1,678,085	1,678,085	
			621,555	621,476	79
			108,950	101,437	7,513
			153,169	132,936	20,233
15,325	7,391	7,934	512,527	455,411	57,116
			61,810	53,876	7,934
			35,353	35,353	
			8,274	8,274	
<u>21,033</u>	<u>8,141</u>	<u>12,892</u>	<u>15,337,172</u>	<u>14,980,355</u>	<u>356,817</u>
<u>(6,686)</u>	<u>6,294</u>	<u>12,980</u>	<u>(525,749)</u>	<u>(280,805)</u>	<u>244,944</u>
			284,026	219,679	(64,347)
			314	314	
			40,299	40,299	
			51,683	51,652	(31)
			0	0	0
			(219,679)	(219,679)	
			(51,428)	(51,428)	
			(225)	(225)	
			<u>104,990</u>	<u>40,612</u>	<u>(64,378)</u>
(6,686)	6,294	12,980	(420,759)	(240,193)	180,566
11,463	11,463		959,693	959,693	
954	954		288,062	288,062	
<u>\$5,731</u>	<u>\$18,711</u>	<u>\$12,980</u>	<u>\$826,996</u>	<u>\$1,007,562</u>	<u>\$180,566</u>

**Galion City School District
 Combined Statement of Revenues, Expenses
 and Changes in Fund Equity
 All Proprietary and Nonexpendable Trust Funds
 For the Year Ended June 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$329,740		\$329,740
Interest		\$4,420	4,420
Other Revenue	2,996		2,996
Total Operating Revenues	<u>332,736</u>	<u>4,420</u>	<u>337,156</u>
Operating Expenses			
Salaries	190,528		190,528
Fringe Benefits	128,053		128,053
Purchased Services	1,150	500	1,650
Materials and Supplies	235,067		235,067
Depreciation	1,623		1,623
Total Operating Expenses	<u>556,421</u>	<u>500</u>	<u>556,921</u>
Operating Income (Loss)	<u>(223,685)</u>	<u>3,920</u>	<u>(219,765)</u>
Non-Operating Revenues and Expenses			
Federal Donated Commodities	27,225		27,225
Interest	1,410		1,410
Federal and State Subsidies	184,352		184,352
Other	618		618
Total Non-Operating Revenues and Expenses	<u>213,605</u>		<u>213,605</u>
Net Income (Loss)	<u>(10,080)</u>	<u>3,920</u>	<u>(6,160)</u>
Deficit/Fund Balances at Beginning of Year	<u>(17,115)</u>	<u>48,838</u>	<u>31,723</u>
Deficit/Fund Balances at End of Year	<u>(\$27,195)</u>	<u>\$52,758</u>	<u>\$25,563</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
 All Proprietary and Nonexpendable Trust Funds
 For the Year Ended June 30, 2001**

	<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	\$330,818		\$330,818
Other Cash Receipts	2,996		2,996
Cash Payments to Suppliers for Goods and Service	(205,138)		(205,138)
Cash Payments for Contract Services	(1,150)	(\$500)	(1,650)
Cash Payments for Employee Services	(195,796)		(195,796)
Cash Payments for Employee Benefits	(124,334)		(124,334)
Net Cash Provided (Used) by Operating Activities	<u>(192,604)</u>	<u>(500)</u>	<u>(193,104)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	<u>184,352</u>		<u>184,352</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>184,352</u>		<u>184,352</u>
Cash Flows from Investing Activities:			
Interest Received	<u>1,410</u>	<u>4,420</u>	<u>5,830</u>
Net Cash Provided (Used) by Investing Activities	<u>1,410</u>	<u>4,420</u>	<u>5,830</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	<u>(84)</u>		<u>(84)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(84)</u>		<u>(84)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,926)	3,920	(3,006)
Cash and Cash Equivalents at Beginning of Year	<u>33,244</u>	<u>48,838</u>	<u>82,082</u>
Cash and Cash Equivalents at End of Year	<u><u>\$26,318</u></u>	<u><u>\$52,758</u></u>	<u><u>\$79,076</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$223,685)	\$3,920	(\$219,765)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,623		1,623
Donated Commodities Used During the Year	27,225		27,225
Adjustments to Capital Outlay	84		84
Nonexpendable Trust Interest		(4,420)	(4,420)
(Increase) Decrease in Assets:			
Accounts Receivable	1,078		1,078
Material and Supplies Inventory	475		475
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	409		409
Intergovernmental Payable	(2,823)		(2,823)
Deferred Revenue	2,145		2,145
Accrued Wages and Benefits	865		865
Total Adjustments	<u>31,081</u>	<u>(4,420)</u>	<u>26,661</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$192,604)</u></u>	<u><u>(\$500)</u></u>	<u><u>(\$193,104)</u></u>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:			
Cash and Cash Equivalents — Trust and Agency Funds			\$157,030
Less: Expendable Trust Funds			(11,502)
Less: Agency Funds			<u>(92,770)</u>
Cash and Cash Equivalents — Nonexpendable Trust Funds			<u><u>\$52,758</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, 2001**

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 238th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 81 non-certificated employees and 164 certificated full-time teaching personnel who provide services to 2,322 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 17, 18, and 19 to the general purpose financial statements.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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.

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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Governmental Fund Types: (Continued)

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).

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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Nonexchange transactions, in which the School District received value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenues from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available as an advance. Revenues from grants, entitlements and donations is recognized in the fiscal year in which eligibility requirements have been met and the resources are available.

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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them as when grant monies are received prior to the recognition of qualifying expenditures. 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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type 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.

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 2001.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(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. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2001, 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 \$109,367, which included \$3,281 assigned from other School District funds.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. 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, 2001.

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 proprietary funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. 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, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

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
- Teacher Development
- Financial Literacy Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid Fund
- Network Connect Subsidy
- School Net Professional Development
- Textbook/Materials Subsidy
- Ohio Reads Grant
- Summer School Subsidy
- Extended Learning Opportunity
- School Conflict Management
- Safe School Helpline
- Eisenhower Grant
- Title VI-B
- Title I
- Title VI
- Drug-Free Schools
- Preschool Grant
- Title VI-R
- Continuous Improvement

Capital Projects Funds

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

Reimbursable Grants

General Fund

- Driver Education Reimbursement

Enterprise Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues (Continued)

Grants and entitlements amounted to approximately 60 percent of the School District's operating revenue during the 2001 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.

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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 textbooks and instructional materials. See Note 21 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, prepaid items, 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/CHANGE IN ACCOUNTING PRINCIPLES

A. Changes in Accounting Principles

GASB Statements No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Receipt Reporting of Certain Shared Nonexchange Revenue", were implemented during fiscal year 2001. These statements pertain to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of these statements had no effect on fund balances/fund equity as previously reported by the School District at June 30, 2000.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. ACCOUNTABILITY/CHANGE IN ACCOUNTING PRINCIPLES (Continued)

B. Deficit Fund Balances

At June 30, 2001, the Disadvantaged Pupils Impact Aid, the Title I, Miscellaneous Federal Grants, and the Food Service funds had deficit fund balances of \$7,433, \$47,491, \$51,591 and \$31,585, 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.

4. FUND RECLASSIFICATION

The District has an expendable trust faculty fund which receives revenues from pop machine sales and donations from faculty members. The expenditures made from this fund are for the purchase of flowers for faculty members whose family members pass away and faculty lunches. During fiscal year 2001, the District elected to reclassify this fund's activity into a Special Revenue fund to properly reflect its intended purpose. The following is the effect on fund balances as previously reported by the District.

	Special Revenue Funds	Expendable Trust Funds
Fund Balances as Previously Reported	\$175,882	\$12,427
Fund Reclassification	<u>7,469</u>	<u>(7,469)</u>
Restated Fund Balances at 6/30/2000	<u>\$183,351</u>	<u>\$4,958</u>

The reclassification had the following effect on the excess revenue and other financial sources over/(under) expenditure and other financing uses as previously reported for the fiscal year ended June 30, 2000.

	Special Revenue Funds	Expendable Trust Funds
Excess/Loss as Previously Reports	\$1,131	\$(742)
Fund Reclassification	<u>(707)</u>	<u>707</u>
Restated amount for the Year Ended 6/30/2000	<u>\$424</u>	<u>\$(35)</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary – Actual (Non GAAP Budgetary Basis) All Governmental Fund Types and Expendable Trust Funds are 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 tables summarize 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

	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	(\$233,300)	(\$15,567)	\$2,380	\$6,294
Net Adjustments for:				
Revenue Accruals	70,479	53,376		(7,141)
Expenditure Accruals	(86,646)	(4,948)	(\$38,060)	7,391
Other Sources/Uses	10904	(51,427)	225	0
Encumbrances	467,009	26,932	100,496	0
GAAP Basis	<u>\$228,446</u>	<u>\$8,366</u>	<u>\$65,041</u>	<u>\$6,544</u>

6. 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 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, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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, 2001
(Continued)**

6. 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 \$669,625 and the bank balance was \$994,687. Of the bank balance, \$100,000 was covered by federal depository insurance and \$894,687 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation. The District had \$300 of cash on hand at year end.

Investments: The School District's investments are categorized below 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 \$1,100,000 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.

7. 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 2001 taxes were collected was \$174,069,538, of which real and public utility property represented 82 percent (\$143,546,400) of the total, and tangible personal property represented 18 percent (\$30,505,138). The voted general tax rate for operations at the fiscal year ended June 30, 2001, was \$58.60 per \$1,000 of assessed valuation.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. 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, 2001, are available to finance fiscal year 2001 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, 2001. 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.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, intergovernmental, accounts (rent, billings for user charged services, and student fees), interfund and accrued interest. All receivables are considered collectible in full.

A summary of the principle items of receivables follows:

	<u>Amount</u>
General Fund	
Taxes	\$5,358,960
Interest	5,779
Special Revenue Fund	
Intergovernmental	63,398
Enterprise Funds	
Accounts	618
Total Receivables	<u>\$5,428,755</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$456,215			\$456,215
Buildings and Improvements	6,074,520			6,074,520
Furniture and Equipment	2,291,985	\$227,274	\$48,285	2,470,974
Vehicles	583,163	16,265		599,428
Totals	<u>\$9,405,883</u>	<u>\$243,539</u>	<u>\$48,285</u>	<u>\$9,601,137</u>

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$207,806
Less: Accumulated Depreciation	<u>(196,346)</u>
Net Fixed Assets	<u>\$11,460</u>

10. 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's 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 liability 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, 2001
(Continued)**

10. RISK MANAGEMENT (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.

11. 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 2001 totaled \$3,701. This amount is reflected as debt service principal retirement in the General Fund. The term of the lease ended in 2001.

12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/01
Energy Conservation Loan	\$38,660		\$18,763	\$19,897
General Obligation Bonds	71,714		11,526	60,188
Boiler Replacement Bonds	55,242		5,064	50,178
Long Term Bonds & Loans	\$165,616		\$35,353	\$130,263
Capital Leases	3,701		3,701	
Pension Obligation	103,669		12,254	91,415
Compensated Absences	934,855	\$2,089		936,944
Total Long Term Obligations	\$1,207,841	\$2,089	\$51,308	\$1,158,622

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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 Loan - On June 18, 1992, the Galion City School District issued \$155,000 in unvoted general obligation notes 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 notes were issued for a ten-year period with final maturity during fiscal year 2002. The loan 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 are 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 \$15,566,258 with an unvoted debt margin of \$63,704 at June 30, 2001.

Principal and interest requirements to retire general obligation debt and loans outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
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	13,805	1,410	15,215
2007-2009	21,024	1,757	22,781
Total	\$130,263	\$19,874	\$150,137

13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and recreation. 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, 2001.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Recreation</u>	<u>Totals</u>
Operating Revenues	\$327,219	\$2,521	\$2,996	\$332,736
Operating Expenses	548,880	2,345	3,573	554,798
Depreciation Expense	1,623			1,623
Operating Income (Loss)	(223,284)	176	(577)	(223,685)
Donated Commodities	27,225			27,225
Grants	184,352			184,352
Interest	1,410			1,410
Other	618			618
Net Income (Loss)	(9,679)	176	(577)	(10,080)
Net Working Capital	(43,045)	909	3,481	(38,655)
Total Assets	43,850	909	3,481	48,240
Total Liabilities	75,435			75,435
Total Equity	(31,585)	909	3,481	(27,195)

14. 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, 2001, 2000, and 1999 were \$258,660, \$264,184 and \$252,047, respectively; 52 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$123,936 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

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. STRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to members and beneficiaries. 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, 2000, 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, 2001, 2000, and 1999 were \$1,042,401, \$1,072,639, and \$1,064,906, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$167,292 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

15. 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 to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. For the District this amount equals \$335,058 for fiscal year 2001.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.8 percent. 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 2001, 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 \$181,444 for fiscal year 2001.

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, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

16. 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.

17. 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

18. 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.

19. 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.

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.

20. 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, 2001.

21. STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

21. STATUTORY RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2000	\$269,414	0	\$180,265
Current Year Set-aside Requirement	306,994	\$306,994	0
Elimination of budget stabilization reserve	0	0	(98,413)
Current Year Offsets	0	0	0
Qualifying Disbursements	<u>(392,982)</u>	<u>(376,958)</u>	<u>0</u>
Total	<u>\$183,426</u>	<u>(\$69,964)</u>	<u>\$81,852</u>
Cash Balance Carried Forward to FY 2002	<u>\$183,426</u>	<u>0</u>	<u>\$81,852</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Except for the unspent portion of certain workers' compensation refunds, monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund equity in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for textbooks	\$183,426
Amount restricted for budget stabilization	<u>81,852</u>
Total restricted assets	<u>\$265,278</u>

22. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

22. STATE SCHOOL FUNDING DECISION (Continued)

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$28,982	\$0	\$27,225
School Breakfast	044024-05-PU 00/01	10.553	33,334	0	33,334	0
National School Lunch Program	044024-LL-P1/P4-00/01	10.555	140,319	0	140,319	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>173,653</u>	<u>28,982</u>	<u>173,653</u>	<u>27,225</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States						
	044024-6B-SF 2000 P	84.027	2,666	0	35,529	0
	044024-6B-SF 2001 P		142,132	0	112,679	0
Total Special Education Grants to States			<u>144,798</u>	<u>0</u>	<u>148,208</u>	<u>0</u>
Special Education - Preschool Grant	044024-PG-S1 2000 P	84.173	0	0	758	0
	044024-PG-S1 2001 P		12,772	0	11,112	0
Total Special Education - Preschool Grant			<u>12,772</u>	<u>0</u>	<u>11,870</u>	<u>0</u>
Total Special Education Cluster			<u>157,570</u>	<u>0</u>	<u>160,078</u>	<u>0</u>
Title I Grants to Local Educational Agencies						
	044024-C1-S1 2000	84.010	28,165	0	49,482	0
	044024-C1-S1 2000 C		12,877	0	12,877	0
	044024-C1-S1 2001		362,131	0	344,319	0
Total Title I Grants to Local Educational Agencies			<u>403,173</u>	<u>0</u>	<u>406,678</u>	<u>0</u>
Eisenhower Professional Development State Grants	044024-MS-S1-1999	84.281	0	0	3,162	0
	044024-MS-S1-2000		7,424	0	10,937	0
	044024-MS-S1-2001		9,928	0	5,177	0
Total Eisenhower Professional Development Sate Grants			<u>17,352</u>	<u>0</u>	<u>19,276</u>	<u>0</u>
Innovative Education Program Strategies	044024-C2-S1-1999	84.298	0	0	1,665	0
	044024-C2-S1-2000		0	0	6,325	0
	044024-C2-S1-2001		5,991	0	3,460	0
Total Innovative Education Program Strategies			<u>5,991</u>	<u>0</u>	<u>11,450</u>	<u>0</u>
Goals 2000 - State and Local Education Systematic Improvement	044024-G2-S2-2001	84.276	21,000	0	7,392	0
	044024-G2-S2-2002		14,000	0	0	0
Total Goals 2000 - State and Local Education Systematic Improvement			<u>35,000</u>	<u>0</u>	<u>7,392</u>	<u>0</u>
Safe & Drug-Free Schools and Communities-State Grant	044024-DR-S1 2000	84.186	412	0	1,540	0
	044024-DR-S1 2001		9,761	0	8,426	0
Total Safe & Drug-Free Schools and Communities-State Grant			<u>10,173</u>	<u>0</u>	<u>9,966</u>	<u>0</u>
Reducing Class Size	044024-CR-S1 2000	84.340	0	0	57,058	0
	044024-CR-S1 2001		18,932	0	30,729	0
Total Reducing Class Size			<u>18,932</u>	<u>0</u>	<u>87,787</u>	<u>0</u>
<i>Passed Through Pioneer Joint Vocatoinal</i>						
Vocational Education-Basic Grants to States	044024-VE-S1 2001	84.048	1,512	0	1,512	0
Total Department of Education			<u>649,703</u>	<u>0</u>	<u>704,139</u>	<u>0</u>
Total Federal Awards			<u>\$823,356</u>	<u>\$28,982</u>	<u>\$877,792</u>	<u>\$27,225</u>

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Receipts and Expenditures 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

Nonmonetary 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, 2001, the District had no significant 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 Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 27, 2001, wherein we noted that the District reclassified certain assets from the expendable trust fund classification to the special revenue classification. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 27, 2001.

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. The reportable condition is described in the accompanying schedule of findings as item 2001-10517-001.

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 a not 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 management of the District in a separate letter dated December 27, 2001.

This report is intended for the information and use of the Board of Education, management, 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 27, 2001



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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 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, 2001. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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, 2001.

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 the Board of Education, management, 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 27, 2001

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	* Nutrition Cluster - (CFDA # 10.550 - Food Distribution, CFDA # 10.555 - National School Lunch Program, and CFDA #10.553 - School Breakfast program * Special Education Cluster - (CFDA #84.027 - Title VI-B and CFDA #84.173 - Preschool Grant)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(Continued)**

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

Finding Number	2001-10517-001
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Timely Posting and Monitoring of Budgeted Revenues

The District passed its appropriation measure and filed its certificate of estimated resources timely. However, the estimated amounts of revenues were not posted to the computer system until June, 2001. Consequently budget and actual amounts were not monitored on a consistent basis. Although the Board received SM-2 reports quarterly to review, these reports showed budget and actual amounts for the general fund only. They did not show the amount of estimated revenues 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 timely, funds can not be properly monitored to ensure that appropriations do not exceed estimated revenues and to compare actual results to expected results. 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 for all funds. The Board should review and use these reports to monitor the financial activity of the District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10517-001	Ohio Rev. Code Section 5705.36 - the District failed to request a reduced certificate of estimated resources which resulted in appropriations exceeding amounts available for expenditures and actual revenues.	No	Partially Corrected - The same citation is reported in the management letter for the current audit period.
2000-10517-002	Timely posting and monitoring of budgeted revenues and appropriations	No	Partially Corrected - A similar finding concerning the District's posting of estimated revenues in a timely manner and performing monitoring of budget versus actual revenue by the Board of Education is reported for the current audit period.



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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 12, 2002**