



Dave Yost • Auditor of State

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galion City School District, Crawford County, Ohio, (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Galion City School District, Crawford County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 8, 2011

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of Galion City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2010 are as follows:

In total, net assets decreased \$1,263,044, or 3 percent. This decrease was primarily the result of reimbursing the Ohio School Facilities Commission for monies not spent on the construction project. Construction of the buildings was completed in 2008.

General revenues were \$16,503,064, or 76 percent of total revenues, and reflect the School District's substantial dependence on property taxes and unrestricted State entitlements.

In November 2010, the voters of the School District approved a 7.73 mill five-year renewal levy.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Galion City School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Galion City School District, the General Fund and the Bond Retirement debt service fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

| | Table 1 Net Assets | | |
|--------------------------|-------------------------|-------------------|--------------------|
| | Governmental Activities | | |
| | 2010 | 2009 | Change |
| <u>Assets:</u> | | | |
| Current and Other Assets | \$11,794,097 | \$11,871,207 | (\$77,110) |
| Capital Assets, Net | 56,502,815 | 57,747,096 | (1,244,281) |
| Total Assets | <u>68,296,912</u> | <u>69,618,303</u> | <u>(1,321,391)</u> |
| | | | (continued) |

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 1
Net Assets
(continued)

| | Governmental Activities | | |
|--|-------------------------|--------------|---------------|
| | 2010 | 2009 | Change |
| <u>Liabilities:</u> | | | |
| Current and Other Liabilities | \$5,627,160 | \$5,550,747 | (\$76,413) |
| Long-Term Liabilities | 19,410,234 | 19,544,994 | 134,760 |
| Total Liabilities | 25,037,394 | 25,095,741 | 58,347 |
| <u>Net Assets:</u> | | | |
| Invested in Capital Assets, Net of Related Debt | 39,234,943 | 40,176,284 | (941,341) |
| Restricted | 3,407,641 | 4,119,101 | (711,460) |
| Unrestricted | 616,934 | 227,177 | 389,757 |
| Total Net Assets | \$43,259,518 | \$44,522,562 | (\$1,263,044) |

Although the above table indicates that there were not significant changes from the prior fiscal year, there were a couple items of note. There was a \$1 million decrease in cash and cash equivalents, generally the result of the School District returning unspent monies to the Ohio School Facilities Commission for resources not needed to complete the School District's facilities construction project. There was an increase in intergovernmental receivables of approximately \$716,000 for outstanding grant resources due to the School District, in large part, additional resources provided through the American Reinvestment and Recovery Act. The combination of these factors influenced the overall decrease in restricted net assets.

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
Change in Net Assets

| | Governmental Activities | | |
|---|-------------------------|-----------|-----------|
| | 2010 | 2009 | Change |
| <u>Revenues:</u> | | | |
| Program Revenues | | | |
| Charges for Services | \$892,265 | \$899,625 | (\$7,360) |
| Operating Grants, Contributions, and Interest | 4,275,549 | 2,790,276 | 1,485,273 |
| Capital Grants and Contributions | 10,000 | 11,133 | (1,133) |
| Total Program Revenues | 5,177,814 | 3,701,034 | 1,476,780 |

(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2
Change in Net Assets

| | Governmental Activities | | |
|---|-------------------------|---------------------|----------------------|
| | 2010 | 2009 | Change |
| <u>Revenues: (continued)</u> | | | |
| General Revenues | | | |
| Property Taxes Levied for General Purposes | \$4,402,517 | \$4,592,462 | (\$189,945) |
| Property Taxes Levied for Classroom Facilities Purposes | 74,687 | 76,337 | (1,650) |
| Property Taxes Levied for Debt Service Purposes | 1,010,062 | 732,532 | 277,530 |
| Payment in Lieu of Taxes | 36,757 | 49,839 | (13,082) |
| Grants and Entitlements | 10,764,993 | 10,536,860 | 228,133 |
| Interest | 24,789 | 91,478 | (66,689) |
| Gifts and Donations | 11,983 | 13,738 | (1,755) |
| Miscellaneous | 177,276 | 257,342 | (80,066) |
| Total General Revenues | <u>16,503,064</u> | <u>16,350,588</u> | <u>152,476</u> |
| Total Revenues | <u>21,680,878</u> | <u>20,051,622</u> | <u>1,629,256</u> |
| <u>Expenses:</u> | | | |
| Instruction: | | | |
| Regular | 8,954,450 | 9,148,579 | 194,129 |
| Special | 3,488,936 | 2,976,269 | (512,667) |
| Vocational | 88,940 | 70,470 | (18,470) |
| Support Services: | | | |
| Pupils | 956,141 | 948,308 | (7,833) |
| Instructional Staff | 1,050,360 | 805,165 | (245,195) |
| Board of Education | 58,109 | 88,029 | 29,920 |
| Administration | 1,381,547 | 1,435,723 | 54,176 |
| Fiscal | 418,389 | 434,795 | 16,406 |
| Operation and Maintenance of Plant | 3,020,934 | 2,466,799 | (554,135) |
| Pupil Transportation | 832,372 | 787,192 | (45,180) |
| Central | 168,136 | 143,777 | (24,359) |
| Non-Instructional Services | 1,046,129 | 1,025,303 | (20,826) |
| Extracurricular Activities | 662,837 | 633,198 | (29,639) |
| Interest and Fiscal Charges | 816,642 | 820,052 | 3,410 |
| Total Expenses | <u>22,943,922</u> | <u>21,783,659</u> | <u>(1,160,263)</u> |
| Decrease in Net Assets | <u>(1,263,044)</u> | <u>(1,732,037)</u> | <u>468,993</u> |
| Net Assets Beginning of Year | <u>44,522,562</u> | <u>46,254,599</u> | <u>(1,732,037)</u> |
| Net Assets End of Year | <u>\$43,259,518</u> | <u>\$44,522,562</u> | <u>(\$1,263,044)</u> |

There was a substantial increase in program revenues from the prior fiscal year (40 percent increase) due to the additional grant resources received as a result of the American Reinvestment and Recovery Act (ARRA). General revenues remained very comparable with an increase of less than 1 percent from fiscal year 2009.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Overall, expenses increased 5 percent from the prior fiscal year with the most significant changes reflected in the special instruction and instructional staff programs as well as the operation of maintenance and plant program. With the additional ARRA grant resources, there was an increase in the costs associated with providing the corresponding instruction (special instruction and instructional staff programs) and the operation and maintenance expense increase reflects the repayment of unspent resources to the Ohio School Facilities Commission related to the facilities construction.

The major program expense, as expected, is for instruction, which accounts for 55 percent of all expenses. The instruction program, however, does not include all activities associated with educating students. The support services including pupils, instructional staff, and pupil transportation programs have a significant role in delivering education. These programs represent approximately 12 percent of total expenses.

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

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|------------------------------------|------------------------|---------------------|----------------------|---------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Instruction: | | | | |
| Regular | \$8,954,450 | \$9,148,579 | \$8,364,261 | \$8,714,435 |
| Special | 3,488,936 | 2,976,269 | 165,335 | 892,684 |
| Vocational | 88,940 | 70,470 | 76,588 | 55,993 |
| Support Services: | | | | |
| Pupils | 956,141 | 948,308 | 947,706 | 933,339 |
| Instructional Staff | 1,050,360 | 805,165 | 1,050,360 | 805,165 |
| Board of Education | 58,109 | 88,029 | 58,109 | 88,029 |
| Administration | 1,381,547 | 1,435,723 | 1,381,547 | 1,435,723 |
| Fiscal | 418,389 | 434,795 | 418,389 | 434,795 |
| Operation and Maintenance of Plant | 3,020,934 | 2,466,799 | 3,020,934 | 2,466,799 |
| Pupil Transportation | 832,372 | 787,192 | 773,217 | 751,490 |
| Central | 168,136 | 143,777 | 163,136 | 143,777 |
| Non-Instructional Services | 1,046,129 | 1,025,303 | 12,799 | 79,379 |
| Extracurricular Activities | 662,837 | 633,198 | 517,085 | 460,965 |
| Interest and Fiscal Charges | 816,642 | 820,052 | 816,642 | 820,052 |
| Total Expenses | <u>\$22,943,922</u> | <u>\$21,783,659</u> | <u>\$17,766,108</u> | <u>\$18,082,625</u> |

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

There was an increase in the cost of services provided for through program revenues in fiscal year 2010 largely due to the additional ARRA grant resources. As can be seen from the above table, only a very few of the School District's programs receive a significant amount of program revenues to offset their costs. Approximately 95 percent of special instruction costs were provided for in fiscal year 2010 through various operating grants restricted for special instruction purposes. Almost 99 percent of non-instructional services were provided for through program revenues. This is primarily due to cafeteria sales, state and federal subsidies and donated commodities for food service, and for State resources received by the School District on behalf of the parochial school located within the School District.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates increases in fund balance for both the General Fund and the Bond Retirement debt service fund. There was an 8 percent increase in the fund balance for the General Fund. Although there was a 2 percent decrease in revenues, there was a 6 percent decrease in expenditures as most programs reflect modest decreases. In addition, the General Fund provided fewer subsidies to other funds in fiscal year 2010. For the Bond Retirement debt service fund, tax collections continue to exceed amounts required to make current debt payments.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2010, the School District amended its General Fund budget as needed. For revenues, the changes from the original budget to the final budget were not significant, nor were the changes from the final budget to actual revenues. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$56,502,815 invested in capital assets (net of accumulated depreciation). Additions and disposals were minimal. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2010, consisted of general obligation bonds, in the amount of \$17,929,300. The School District's long-term obligations also include compensated absences and capital leases. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Current Issues

The administration and board members continue to monitor the financial condition of the School District closely. The School District has made reductions in expenditures so that fiscal year 2011 should end with a positive cash balance. Thankfully, our community supported the 7.73 mill five-year renewal levy in November 2010.

The School District has received a significant amount of State Fiscal Stabilization funding that will not continue past fiscal year 2011. The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2011 will be set as part of the State's biennial budget for fiscal years 2012 and 2013. Due to the economic conditions within the State and the anticipated short fall in tax revenues in the next bi-annual budget, the level at which the State will fund schools is uncertain.

The School District is a recipient of American Reinvestment and Recovery Act federal stimulus grants for the 2009-2010 and 2010-2011 school years. Title I funding totals \$283,026, Special Education Part B-IDEA funding totals \$569,119, and Early Childhood Special Education IDEA totals \$18,820. Additionally, Galion Middle School was awarded a competitive American Reinvestment and Recovery Act Title II-D Technology federal stimulus grant for \$246,793. Beginning in fiscal year 2011, the School District will receive an estimated \$476,914 from an Education Jobs Grant and \$282,004 from a Race to The Top Grant. These grants provide programs and support for students and staff that would not otherwise be available from our General Fund.

On November 5, 2010, the School District sold HB 264 Energy Conservation Improvement Bonds totaling \$566,044. The energy conservation measures include lighting, enhanced metering and load shedding, green education, and vending. As required for HB 264 projects, the savings from implementing these programs will pay back the principal on this project. These are Qualified School Construction Bonds which qualify for full interest payment reimbursement from the federal government.

Galion City School District was proud to continue as an effective School District on our 2009-2010 School Year Report Card. Galion High School continued its' excellent rating and achieved the graduation rate indicator for the first time. Galion Middle School met the State's Value-Added Measure which reflects the progress made with its students since last school year while earning a continuous improvement rating. Galion Intermediate Elementary School earned an effective rating and met Adequate Yearly Progress and the State's Value-Added Measure. Because Galion Primary Elementary School does not have any state-level assessments to use for indicators, it receives the same designation of effective as our School District. Parental support of the educational process is reflected by our attendance rate continuing to score above State expectations.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda M. Kidwell, Treasurer, Galion City School District, 470 Portland Way North, Galion, Ohio 44833-1796.

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| <u>Assets:</u> | |
| Equity in Pooled Cash and Cash Equivalents | \$ 4,490,435 |
| Accounts Receivable | 13,828 |
| Accrued Interest Receivable | 1,478 |
| Intergovernmental Receivable | 1,022,424 |
| Inventory Held for Resale | 30,159 |
| Materials and Supplies Inventory | 5,041 |
| Property Taxes Receivable | 5,892,514 |
| Payment in Lieu of Taxes Receivable | 36,757 |
| Unamortized Issuance Costs | 301,461 |
| Nondepreciable Capital Assets | 873,865 |
| Depreciable Capital Assets, Net | <u>55,628,950</u> |
| Total Assets | <u>68,296,912</u> |
| <u>Liabilities:</u> | |
| Accounts Payable | 68,236 |
| Contracts Payable | 68,220 |
| Accrued Wages and Benefits Payable | 1,639,161 |
| Matured Compensated Absences Payable | 17,200 |
| Intergovernmental Payable | 573,034 |
| Deferred Revenue | 3,195,869 |
| Accrued Interest Payable | 65,440 |
| Long-Term Liabilities: | |
| Due Within One Year | 479,360 |
| Due in More Than One Year | <u>18,930,874</u> |
| Total Liabilities | <u>25,037,394</u> |
| <u>Net Assets:</u> | |
| Invested in Capital Assets, Net of Related Debt | 39,234,943 |
| Restricted For: | |
| Debt Service | 432,321 |
| Capital Projects | 1,352,572 |
| Other Purposes | 1,622,748 |
| Unrestricted | <u>616,934</u> |
| Total Net Assets | <u>\$ 43,259,518</u> |

See Accompanying Notes to Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Program Revenues | | | | Net (Expense) Revenue and Change in Net Assets |
|--------------------------------------|----------------------|-------------------------|---|-------------------------------------|---|
| | Expenses | Charges for Services | Operating Grants, Contributions, and Interest | Capital Grants and Contributions | Governmental Activities |
| <u>Governmental Activities:</u> | | | | | |
| Instruction: | | | | | |
| Regular | \$ 8,954,450 | \$ 344,374 | \$ 245,815 | \$ - | (8,364,261) |
| Special | 3,488,936 | 108,887 | 3,214,714 | - | (165,335) |
| Vocational | 88,940 | 5,254 | 7,098 | - | (76,588) |
| Support Services: | | | | | |
| Pupils | 956,141 | - | 8,435 | - | (947,706) |
| Instructional Staff | 1,050,360 | - | - | - | (1,050,360) |
| Board of Education | 58,109 | - | - | - | (58,109) |
| Administration | 1,381,547 | - | - | - | (1,381,547) |
| Fiscal | 418,389 | - | - | - | (418,389) |
| Operation and Maintenance of Plant | 3,020,934 | - | - | - | (3,020,934) |
| Pupil Transportation | 832,372 | - | 59,155 | - | (773,217) |
| Central | 168,136 | - | 5,000 | - | (163,136) |
| Non-Instructional Services | 1,046,129 | 305,193 | 728,137 | - | (12,799) |
| Extracurricular Activities | 662,837 | 128,557 | 7,195 | 10,000 | (517,085) |
| Interest and Fiscal Charges | 816,642 | - | - | - | (816,642) |
| Total Governmental Activities | \$ 22,943,922 | \$ 892,265 | \$ 4,275,549 | \$ 10,000 | (17,766,108) |

General Revenues:

| | |
|---|----------------------|
| Property Taxes Levied for General Purposes | 4,402,517 |
| Property Taxes Levied for Classroom Facilities Purposes | 74,687 |
| Property Taxes Levied for Debt Service Purposes | 1,010,062 |
| Payment in Lieu of Taxes | 36,757 |
| Grants and Entitlements not Restricted to Specific Programs | 10,764,993 |
| Interest | 24,789 |
| Gifts and Donations | 11,983 |
| Miscellaneous | 177,276 |
| Total General Revenues | 16,503,064 |
| | |
| Change in Net Assets | (1,263,044) |
| | |
| Net Assets at Beginning of Year - Restated (Note 3) | 44,522,562 |
| Net Assets at End of Year | \$ 43,259,518 |

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

| | <u>General</u> | <u>Bond Retirement</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|----------------------------|-------------------------------|---|
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,837,206 | \$ 328,570 | \$ 2,324,659 | \$ 4,490,435 |
| Accounts Receivable | 11,980 | - | 1,848 | 13,828 |
| Accrued Interest Receivable | 1,478 | - | - | 1,478 |
| Interfund Receivable | 87,478 | - | - | 87,478 |
| Intergovernmental Receivable | 10,008 | - | 1,012,416 | 1,022,424 |
| Inventory Held for Resale | - | - | 30,159 | 30,159 |
| Materials and Supplies Inventory | 1,300 | - | 3,741 | 5,041 |
| Property Taxes Receivable | 4,824,553 | 984,582 | 83,379 | 5,892,514 |
| Payment in Lieu of Taxes Receivable | - | - | 36,757 | 36,757 |
| Total Assets | <u>6,774,003</u> | <u>1,313,152</u> | <u>3,492,959</u> | <u>11,580,114</u> |
| <u>Liabilities and Fund Balances:</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 34,694 | - | 33,542 | 68,236 |
| Contracts Payable | - | - | 68,220 | 68,220 |
| Accrued Wages and Benefits Payable | 1,348,380 | - | 290,781 | 1,639,161 |
| Matured Compensated Absences Payable | - | - | 17,200 | 17,200 |
| Interfund Payable | - | - | 87,478 | 87,478 |
| Intergovernmental Payable | 484,569 | - | 88,465 | 573,034 |
| Deferred Revenue | 3,127,233 | 595,316 | 824,305 | 4,546,854 |
| Total Liabilities | <u>4,994,876</u> | <u>595,316</u> | <u>1,409,991</u> | <u>7,000,183</u> |
| <u>Fund Balances:</u> | | | | |
| Reserved for Property Taxes | 1,707,473 | 389,266 | 28,872 | 2,125,611 |
| Reserved for Encumbrances | 210,437 | 20,050 | 89,380 | 319,867 |
| Unreserved Reported in: | | | | |
| General Fund (Deficit) | (138,783) | - | - | (138,783) |
| Special Revenue Funds | - | - | 679,818 | 679,818 |
| Debt Service Fund | - | 308,520 | - | 308,520 |
| Capital Projects Funds | - | - | 1,284,898 | 1,284,898 |
| Total Fund Balances | <u>1,779,127</u> | <u>717,836</u> | <u>2,082,968</u> | <u>4,579,931</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,774,003</u> | <u>\$ 1,313,152</u> | <u>\$ 3,492,959</u> | <u>\$ 11,580,114</u> |

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010**

| | | |
|---|--------------|---------------|
| Total Governmental Fund Balances | | \$ 4,579,931 |
| Amounts reported for governmental activities on the statement of net assets are different because of the following: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 56,502,815 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: | | |
| Accounts Receivable | 10,153 | |
| Intergovernmental Receivable | 733,041 | |
| Property Taxes Receivable | 571,034 | |
| Payment in Lieu of Taxes Receivable | 36,757 | |
| | | 1,350,985 |
| Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. | | 301,461 |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| Accrued Interest Payable | (65,440) | |
| General Obligation Bonds Payable | (17,929,300) | |
| Compensated Absences Payable | (1,406,601) | |
| Capital Leases Payable | (74,333) | |
| | | (19,475,674) |
| Net Assets of Governmental Activities | | \$ 43,259,518 |

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | General | Bond Retirement | Other Governmental | Total Governmental Funds |
|---|---------------------|--------------------|-----------------------|--------------------------------|
| <u>Revenues:</u> | | | | |
| Property Taxes | \$ 4,352,675 | \$ 973,613 | \$ 73,933 | \$ 5,400,221 |
| Payment in Lieu of Taxes | - | - | 48,164 | 48,164 |
| Intergovernmental | 10,984,228 | 238,507 | 3,223,765 | 14,446,500 |
| Interest | 16,720 | 2,433 | 6,766 | 25,919 |
| Tuition and Fees | 472,193 | - | - | 472,193 |
| Extracurricular Activities | 745 | - | 123,137 | 123,882 |
| Charges for Services | - | - | 305,193 | 305,193 |
| Gifts and Donations | 9,696 | - | 19,482 | 29,178 |
| Miscellaneous | 150,114 | - | 32,237 | 182,351 |
| Total Revenues | <u>15,986,371</u> | <u>1,214,553</u> | <u>3,832,677</u> | <u>21,033,601</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,667,849 | - | 543,870 | 8,211,719 |
| Special | 2,108,457 | - | 1,241,741 | 3,350,198 |
| Vocational | 72,969 | - | - | 72,969 |
| Support Services: | | | | |
| Pupils | 700,633 | - | 233,338 | 933,971 |
| Instructional Staff | 553,124 | - | 486,418 | 1,039,542 |
| Board of Education | 54,160 | 3,949 | - | 58,109 |
| Administration | 1,300,081 | - | 8,837 | 1,308,918 |
| Fiscal | 380,789 | 24,716 | 2,175 | 407,680 |
| Operation and Maintenance of Plant | 1,505,707 | - | 149,668 | 1,655,375 |
| Pupil Transportation | 705,968 | - | 31,187 | 737,155 |
| Central | 114,122 | - | 53,400 | 167,522 |
| Non-Instructional Services | - | - | 945,799 | 945,799 |
| Extracurricular Activities | 464,296 | - | 153,543 | 617,839 |
| Capital Outlay | - | - | 1,208,252 | 1,208,252 |
| Debt Service: | | | | |
| Principal Retirement | 34,300 | 280,000 | - | 314,300 |
| Interest and Fiscal Charges | 5,330 | 788,980 | - | 794,310 |
| Total Expenditures | <u>15,667,785</u> | <u>1,097,645</u> | <u>5,058,228</u> | <u>21,823,658</u> |
| Excess of Revenues Over (Under) Expenditures | <u>318,586</u> | <u>116,908</u> | <u>(1,225,551)</u> | <u>(790,057)</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers In | - | - | 538,420 | 538,420 |
| Transfers Out | (178,255) | - | (360,165) | (538,420) |
| Total Other Financing Sources (Uses) | <u>(178,255)</u> | <u>-</u> | <u>178,255</u> | <u>-</u> |
| Changes in Fund Balances | 140,331 | 116,908 | (1,047,296) | (790,057) |
| Fund Balances at Beginning of Year | 1,638,796 | 600,928 | 3,130,264 | 5,369,988 |
| Fund Balances at End of Year | <u>\$ 1,779,127</u> | <u>\$ 717,836</u> | <u>\$ 2,082,968</u> | <u>\$ 4,579,931</u> |

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Changes in Fund Balances - Total Governmental Funds \$ (790,057)

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

Governmental funds report capital outlays as expenditures.

However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year:

| | | |
|---|--------------------|-------------|
| Capital Outlay - Depreciable Capital Assets | 163,012 | |
| Depreciation | <u>(1,346,391)</u> | (1,183,379) |

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

(60,902)

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

| | | |
|--------------------------|-----------------|---------|
| Property Taxes | 87,045 | |
| Payment in Lieu of Taxes | (11,407) | |
| Intergovernmental | 585,317 | |
| Tuition and Fees | <u>(13,678)</u> | 647,277 |

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

| | | |
|----------------------------------|---------------|---------|
| General Obligation Bonds Payable | 280,000 | |
| Capital Leases Payable | <u>34,300</u> | 314,300 |

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets.

Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets

| | | |
|--|---------------|----------|
| Accrued Interest Payable | 617 | |
| Annual Accretion on Capital Appreciation Bonds | (23,309) | |
| Amortization of Premium | <u>11,720</u> | (10,972) |

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities.

(11,360)

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

(167,951)

Change in Net Assets of Governmental Activities \$ (1,263,044)

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | (Under) |
| <u>Revenues:</u> | | | | |
| Property Taxes | \$ 4,257,268 | \$ 4,409,858 | \$ 4,403,459 | \$ (6,399) |
| Intergovernmental | 11,308,234 | 10,993,554 | 10,986,955 | (6,599) |
| Interest | 50,000 | 25,243 | 15,242 | (10,001) |
| Tuition and Fees | 397,064 | 446,544 | 473,078 | 26,534 |
| Extracurricular Activities | - | - | 745 | 745 |
| Gifts and Donations | 3,000 | 19,750 | 9,696 | (10,054) |
| Miscellaneous | 45,500 | 39,000 | 52,133 | 13,133 |
| Total Revenues | <u>16,061,066</u> | <u>15,933,949</u> | <u>15,941,308</u> | <u>7,359</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,178,648 | 7,873,395 | 7,764,899 | 108,496 |
| Special | 2,269,918 | 2,232,965 | 2,203,222 | 29,743 |
| Vocational | 75,236 | 75,058 | 72,852 | 2,206 |
| Support Services: | | | | |
| Pupils | 655,669 | 672,162 | 726,575 | (54,413) |
| Instructional Staff | 569,061 | 529,879 | 570,090 | (40,211) |
| Board of Education | 78,185 | 78,298 | 84,784 | (6,486) |
| Administration | 1,373,916 | 1,358,411 | 1,316,323 | 42,088 |
| Fiscal | 398,415 | 389,975 | 389,193 | 782 |
| Operation and Maintenance of Plant | 1,477,383 | 1,498,220 | 1,542,921 | (44,701) |
| Pupil Transportation | 684,313 | 710,825 | 742,822 | (31,997) |
| Central | 235,610 | 200,076 | 126,364 | 73,712 |
| Non-Instructional Services | | | | - |
| Extracurricular Activities | 470,701 | 472,701 | 472,690 | 11 |
| Total Expenditures | <u>16,467,055</u> | <u>16,091,965</u> | <u>16,012,735</u> | <u>79,230</u> |
| Excess of Revenues | | | | |
| Under Expenditures | <u>(405,989)</u> | <u>(158,016)</u> | <u>(71,427)</u> | <u>86,589</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Refund of Prior Year Expenditures | 8,000 | 90,000 | 88,385 | (1,615) |
| Advances In | 120,000 | 172,000 | 172,000 | - |
| Advances Out | (120,000) | (259,200) | (259,200) | - |
| Transfers Out | (140,000) | (178,255) | (178,255) | - |
| Total Other Financing Sources (Uses) | <u>(132,000)</u> | <u>(175,455)</u> | <u>(177,070)</u> | <u>(1,615)</u> |
| Changes in Fund Balance | (537,989) | (333,471) | (248,497) | 84,974 |
| Fund Balance at Beginning of Year | 1,552,339 | 1,552,339 | 1,552,339 | - |
| Prior Year Encumbrances Appropriated | 285,842 | 285,842 | 285,842 | - |
| Fund Balance at End of Year | <u>\$ 1,300,192</u> | <u>\$ 1,504,710</u> | <u>\$ 1,589,684</u> | <u>\$ 84,974</u> |

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

| | Private Purpose Trust | Agency |
|--|--------------------------|-----------|
| <u>Assets:</u> | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 258,022 | \$ 83,398 |
| <u>Liabilities:</u> | | |
| Undistributed Assets | - | 18,029 |
| Due to Students | - | 65,369 |
| Total Liabilities | - | \$ 83,398 |
| <u>Net Assets:</u> | | |
| Held in Trust for Scholarships | 242,132 | |
| Endowment | 15,890 | |
| Total Net Assets | \$ 258,022 | |

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Additions:

| | | |
|---------------------|----|----------------|
| Interest | \$ | 586 |
| Gifts and Donations | | 201,240 |
| Total Additions | | <u>201,826</u> |

Deductions:

| | | |
|----------------------------|--|--------------|
| Non-Instructional Services | | <u>1,801</u> |
|----------------------------|--|--------------|

Change in Net Assets 200,025

Net Assets at Beginning of Year 57,997

Net Assets at End of Year \$ 258,022

See Accompanying Notes to the Basic Financial Statements

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Note 1 - Description of the School District and Reporting Entity

Galion City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1847. The School District serves an area of approximately thirty-two square miles and is located in Crawford, Morrow, and Richland Counties. The School District is the 271st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty-seven classified employees, one hundred forty-four certified teaching personnel, and thirteen administrative employees who provide services to 2,043 students and other community members. The School District currently operates two elementary schools, a middle school, and a high school.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Galion City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Galion City School District.

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

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

The School District participates in three jointly governed organizations and two insurance pools. These organizations are the North Central Ohio Computer Cooperative/Heartland Council of Governments, Pioneer Career and Technology Center, Metropolitan Educational Council, Ohio School Plan, and the Crawford-Wyandot Health Benefit Plan. These organizations are presented in Notes 21 and 22 to the basic financial statements.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement 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.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional staff activities and for student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Investments

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

During fiscal year 2010, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 was \$16,720, which includes \$5,274 assigned from other School District funds.

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

G. Inventory

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

H. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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

| <u>Description</u> | <u>Useful Lives</u> |
|-------------------------------------|---------------------|
| Land Improvements | 10 - 60 years |
| Buildings and Building Improvements | 20 - 50 years |
| Furniture, Fixtures, and Equipment | 5 - 40 years |
| Vehicles | 5 - 25 years |

I. Interfund Assets/Liabilities

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

K. Accrued Liabilities and Long-Term Obligations

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they come due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, athletic and music programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. Issuance Costs and Bond Premiums

On government-wide financial statements, issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from bond proceeds. Premiums are presented as an addition to the face amount of the bonds.

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

O. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Changes in Accounting Principles and Restatement of Net Assets

A. Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

B. Restatement of Net Assets

In fiscal year 2010, the School District changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year.

The restatement had the following effect on net assets.

| | Governmental Activities |
|--------------------------------------|----------------------------|
| Net Assets at June 30, 2009 | \$44,916,175 |
| Payment in Lieu of Taxes Receivable | (393,613) |
| Restated Net Assets at June 30, 2009 | \$44,522,562 |

Note 4 - Accountability

At June 30, 2010, the following funds had deficit fund balances:

| Fund Type/Fund | Deficit |
|-----------------------|----------|
| Special Revenue Funds | |
| Termination Benefits | \$17,200 |
| EMIS | 289 |
| Title VI-B | 4,707 |
| Fiscal Stabilization | 90,248 |
| Title II-A | 7,185 |

The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 5 - Budgetary Basis of Accounting (continued)

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

| Changes in Fund Balance | |
|--|---------------------------|
| GAAP Basis | \$140,331 |
| <u>Increase (Decrease) Due To:</u> | |
| Revenue Accruals: | |
| Accrued FY 2009, Received in Cash FY 2010 | 1,764,386 |
| Accrued FY 2010, Not Yet Received in Cash | (1,721,064) |
| Expenditure Accruals: | |
| Accrued FY 2009, Paid in Cash FY 2010 | (1,968,688) |
| Accrued FY 2010, Not Yet Paid in Cash | 1,867,643 |
| Materials and Supplies Inventory | 3,617 |
| Advances In | 172,000 |
| Advances Out | (259,200) |
| Encumbrances Outstanding at Fiscal Year End (Budget Basis) | <u>(247,522)</u> |
| Budget Basis | <u><u>(\$248,497)</u></u> |

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 6 - Deposits and Investments (continued)

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2010, the fair value of funds on deposit with STAR Ohio was \$266,152. The School District's investments in STAR Ohio have an average maturity of 56 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with interest rate or credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|-------------------------------------|-------------|
| Governmental Activities | |
| General Fund | |
| Goal Digital Academy | \$9,960 |
| Pioneer Career Center | 48 |
| Total General Fund | 10,008 |
| Other Governmental Funds | |
| Auxiliary Services | 4,379 |
| Preschool | 542,492 |
| Title II-D | 36,389 |
| Title I | 380,328 |
| Title VI-B | 10,036 |
| Title II-A | 14,654 |
| CAFS | 24,138 |
| Total Other Governmental Funds | 1,012,416 |
| Total Intergovernmental Receivables | \$1,022,424 |

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Crawford, Morrow, and Richland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 8 - Property Taxes (continued)

The amount available as an advance at June 30, 2009, was \$1,707,473 in the General Fund, \$28,872 in the Classroom Facilities special revenue fund, and \$389,266 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2009, was \$1,758,257 in the General Fund, \$30,065 in the Classroom Facilities special revenue fund, and \$289,672 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2010 taxes were collected are:

| | 2009 Second- Half Collections | | 2010 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$187,589,440 | 98.89% | \$175,077,060 | 98.87% |
| Public Utility | 2,113,770 | 1.11 | 1,999,610 | 1.13 |
| Total Assessed Value | <u>\$189,703,210</u> | <u>100.00%</u> | <u>\$177,076,670</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$57.23 | | \$59.33 | |

Note 9 - Payment in Lieu of Taxes

According to State law, Crawford County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. Each property owner contractually promises to make these payments in lieu of taxes until the agreement expires.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

| | Balance at 6/30/09 | Additions | Reductions | Balance at 6/30/10 |
|-------------------------------|-----------------------|-----------|------------|-----------------------|
| Governmental Activities | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$873,865 | \$0 | \$0 | \$873,865 |

(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 10 - Capital Assets (continued)

| | Balance at 6/30/09 | Additions | Reductions | Balance at 6/30/10 |
|---|-----------------------|----------------------|-------------------|-----------------------|
| Governmental Activities | | | | |
| Depreciable Capital Assets | | | | |
| Land Improvements | \$698,783 | \$0 | (\$58,259) | \$640,524 |
| Buildings and Building Improvements | 56,896,414 | 97,051 | 0 | 56,993,465 |
| Furniture, Fixtures, and Equipment | 1,288,327 | 65,961 | (86,044) | 1,268,244 |
| Vehicles | 1,187,859 | 0 | 0 | 1,187,859 |
| Total Depreciable Capital Assets | <u>60,071,383</u> | <u>163,012</u> | <u>(144,303)</u> | <u>60,090,092</u> |
| Less Accumulated Depreciation | | | | |
| Land Improvements | (309,434) | (23,905) | 24,792 | (308,547) |
| Buildings and Building Improvements | (1,959,760) | (1,138,500) | 0 | (3,098,260) |
| Furniture, Fixtures, and Equipment | (345,149) | (113,405) | 58,609 | (399,945) |
| Vehicles | (583,809) | (70,581) | 0 | (654,390) |
| Total Accumulated Depreciation | <u>(3,198,152)</u> | <u>(1,346,391)</u> | <u>83,401</u> | <u>(4,461,142)</u> |
| Depreciable Capital Assets, Net | <u>56,873,231</u> | <u>(1,183,379)</u> | <u>(60,902)</u> | <u>55,628,950</u> |
| Governmental Activities Capital Assets, Net | <u>\$57,747,096</u> | <u>(\$1,183,379)</u> | <u>(\$60,902)</u> | <u>\$56,502,815</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|--------------------|
| Instruction: | |
| Regular | \$655,360 |
| Special | 121,921 |
| Vocational | 15,971 |
| Support Services: | |
| Pupils | 14,317 |
| Instructional Staff | 2,533 |
| Administration | 43,323 |
| Fiscal | 4,967 |
| Operation and Maintenance of Plant | 192,042 |
| Pupil Transportation | 65,908 |
| Central | 548 |
| Non-Instructional Services | 177,693 |
| Extracurricular Activities | 51,808 |
| Total Depreciation Expense | <u>\$1,346,391</u> |

Note 11 - Interfund Receivables/Payables

At June 30, 2010, the General Fund had an interfund receivable, in the amount of \$87,478, from other governmental funds to alleviate deficit cash balances. Amounts are expected be repaid within one year.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

| | |
|---|--------------|
| Buildings and Contents - replacement cost | \$65,000,183 |
| Automobile Liability | 5,000,000 |
| General School District Liability | |
| Per Occurrence | 5,000,000 |
| Total per Year | 7,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

For the fiscal year 2010, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

The School District participates in the Crawford-Wyandot Health Benefit Plan (Plan), a public entity shared risk pool consisting of five school districts. The School District pays monthly premiums to the Plan for medical, dental, and life insurance coverage. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$1,125,527, \$1,081,642, and \$1,067,567 respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$19,496 made by the School District and \$13,926 made by the plan members.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 13 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$256,970, \$170,496 and \$170,089 respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 14 - Postemployment Benefits (continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$88,079, \$84,171, and \$82,776 respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge was \$40,214.

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

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$9,249, \$78,027, and \$77,617 respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$15,281, \$14,067, and \$12,255 respectively; 21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 15 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

| | <u>Balance at 6/30/09</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 6/30/10</u> | <u>Amounts Due Within One Year</u> |
|--------------------------------|-------------------------------|------------------|-------------------|-------------------------------|--|
| Governmental Activities | | | | | |
| General Obligation Bonds | | | | | |
| School Improvement Bonds | | | | | |
| FY 2004 | | | | | |
| Term Bonds 4.25-5% | \$12,105,000 | \$0 | \$0 | \$12,105,000 | \$0 |
| Serial Bonds 2-4% | 2,175,000 | 0 | 230,000 | 1,945,000 | 260,000 |
| Capital Appreciation Bonds | | | | | |
| 11.42% | 110,000 | 0 | 0 | 110,000 | 0 |
| Accretion on Capital | | | | | |
| Appreciation Bonds | 88,488 | 23,309 | 0 | 111,797 | 0 |
| Premium | 227,328 | 0 | 10,141 | 217,187 | 0 |
| School Improvement Bonds | | | | | |
| FY 2007 | | | | | |
| Term Bonds 4.55-5% | 3,050,000 | 0 | 0 | 3,050,000 | 0 |
| Serial Bonds 4-4.25% | 335,000 | 0 | 50,000 | 285,000 | 100,000 |
| Premium | 106,895 | 0 | 1,579 | 105,316 | 0 |
| Total General Obligation Bonds | <u>18,197,711</u> | <u>23,309</u> | <u>291,720</u> | <u>17,929,300</u> | <u>360,000</u> |
| Compensated Absences | 1,238,650 | 371,717 | 203,766 | 1,406,601 | 83,185 |
| Capital Leases | 108,633 | 0 | 34,300 | 74,333 | 36,175 |
| Total Governmental Activities | | | | | |
| Long-Term Obligations | <u>\$19,544,994</u> | <u>\$395,026</u> | <u>\$529,786</u> | <u>\$19,410,234</u> | <u>\$479,360</u> |

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 16 - Long-Term Obligations (continued)

FY 2004 School Improvement Bonds - On March 1, 2004, the School District issued \$16,100,000 in voted general obligation bonds for the construction of two elementary schools, a middle school, and a high school. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$3,885,000, \$12,105,000, and \$110,000, respectively. The bonds were issued for a twenty-seven fiscal year period, with final maturity in fiscal year 2032. The bonds are being retired through the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2017 | \$430,000 |
| 2018 | 465,000 |

The remaining principal, in the amount of \$525,000, will be paid at stated maturity on December 1, 2019.

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

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

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

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2022 | \$675,000 |

The remaining principal, in the amount of \$725,000, will be paid at stated maturity on December 1, 2023.

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2024 | \$770,000 |

The remaining principal, in the amount of \$855,000, will be paid at stated maturity on December 1, 2025.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 16 - Long-Term Obligations (continued)

The term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

| Year | Amount |
|------|-----------|
| 2026 | \$910,000 |
| 2027 | 965,000 |
| 2028 | 1,055,000 |
| 2029 | 1,110,000 |
| 2030 | 1,175,000 |

The remaining principal, in the amount of \$1,275,000, will be paid at stated maturity on December 1, 2031.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2013. The maturity amount of the bonds is \$290,000. For fiscal year 2010, \$23,309 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$221,797 at fiscal year end.

FY 2007 School Improvement Bonds - On July 18, 2006, the School District issued \$3,897,000 in voted general obligation bonds for the construction of two elementary schools, a middle school, and a high school. The bond issue included serial and term bonds, in the original amount of \$847,000 and \$3,050,000, respectively. The bonds were issued for a twenty-five fiscal year period, with final maturity in fiscal year 2032. The bonds are being retired through the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

| Year | Amount |
|------|----------|
| 2016 | \$45,000 |
| 2017 | 50,000 |
| 2018 | 50,000 |
| 2019 | 95,000 |
| 2020 | 95,000 |
| 2021 | 100,000 |

The remaining principal, in the amount of \$585,000, will be paid at stated maturity on December 1, 2022.

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

| Year | Amount |
|------|-----------|
| 2023 | \$160,000 |

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 16 - Long-Term Obligations (continued)

The remaining principal, in the amount of \$330,000, will be paid at stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2025 | \$225,000 |

The remaining principal, in the amount of \$460,000, will be paid at stated maturity on December 1, 2026.

The term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2027 | \$245,000 |

The remaining principal, in the amount of \$560,000, will be paid at stated maturity on December 1, 2028.

The term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2029 | \$335,000 |
| 2030 | 350,000 |

The remaining principal, in the amount of \$1,115,000, will be paid at stated maturity on December 1, 2031.

Compensated absences will be paid from the Termination Benefits special revenue fund.

The School District's overall debt margin was (\$1,008,431) with an unvoted debt margin of \$175,208 at June 30, 2010. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 16 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2010, were as follows:

| Fiscal Year Ending June 30, | General Obligation Bonds | | | | |
|--------------------------------|--------------------------|---------------------|-------------------------|---------------------|---------------------|
| | Serial | Term | Capital Appreciation | Interest | Total |
| 2011 | \$360,000 | \$0 | \$0 | \$779,898 | \$1,139,898 |
| 2012 | 380,000 | 0 | 0 | 768,568 | 1,148,568 |
| 2013 | 20,000 | 0 | 110,000 | 942,213 | 1,072,213 |
| 2014 | 340,000 | 0 | 0 | 756,195 | 1,096,195 |
| 2015 | 355,000 | 0 | 0 | 744,308 | 1,099,308 |
| 2016-2020 | 775,000 | 1,660,000 | 0 | 3,442,612 | 5,877,612 |
| 2021-2025 | 0 | 4,015,000 | 0 | 2,643,273 | 6,658,273 |
| 2026-2030 | 0 | 6,250,000 | 0 | 1,426,803 | 7,676,803 |
| 2031-2032 | 0 | 3,230,000 | 0 | 143,560 | 3,373,560 |
| | <u>\$2,230,000</u> | <u>\$15,155,000</u> | <u>\$110,000</u> | <u>\$11,647,430</u> | <u>\$29,142,430</u> |

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for 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 leases payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in fiscal year 2010 were \$34,300.

| | |
|-------------------------------|----------------------------|
| | Governmental Activities |
| Equipment under Capital Lease | \$162,952 |
| Less Accumulated Depreciation | (68,262) |
| Total June 30, 2010 | <u>\$94,690</u> |

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 17 - Capital Leases - Lessee Disclosure (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

| Year | Governmental Activities | |
|-------|----------------------------|----------|
| | Principal | Interest |
| 2011 | \$36,175 | \$3,455 |
| 2012 | 38,158 | 1,471 |
| Total | \$74,333 | \$4,926 |

Note 18 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

| | Textbooks | Capital Improvements |
|--|------------|-------------------------|
| Balance June 30, 2009 | (\$16,035) | \$0 |
| Current Year Set Aside Requirement | 317,756 | 317,756 |
| Qualifying Expenditures | (305,056) | (117,866) |
| Current Year Offsets | 0 | (199,890) |
| Balance June 30, 2010 | (\$3,335) | \$0 |
| Amount Carried Forward to Fiscal Year 2011 | (\$3,335) | \$0 |

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 19 - Interfund Transfers

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$178,255, to set aside resources for the payment of termination benefits, to move resources as debt payments came due, and to subsidize operations of other funds. The Classroom Facilities fund made a transfer to the Permanent Improvement and Building capital projects funds, in the amount of \$387 and \$359,778 respectively, to close out the fund.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$15,890 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$242,132 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 21 - Jointly Governed Organizations

A. North Central Ohio Computer Cooperative/Heartland Council of Governments

The School District is a participant in the North Central Ohio Computer Cooperative/Heartland Council of Governments (NCOCC), which is a computer consortium. NCOCC is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NCOCC consists of the superintendent from each member school district. During fiscal year 2010, the School District paid \$104,748 to NCOCC for various services. Financial information can be obtained from North Central Ohio Computer Cooperative/Heartland Council of Governments, 27 Ryan Road, Shelby, Ohio 44875.

B. Pioneer Career and Technology Center

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 21 - Jointly Governed Organizations (continued)

C. Metropolitan Educational Council

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

Note 22 - Insurance Pools

A. Ohio School Plan

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

B. Crawford-Wyandot Health Benefit Plan

The Crawford-Wyandot Health Benefit Plan (Plan) is a public entity shared risk pool consisting of five school districts. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to employees of the participating school districts. Each participating school districts' superintendent is appointed to the Board of Directors which advises the Trustee, Huntington Trust Company, N.A., concerning aspects of the administration of the Plan.

Each school district decides which benefit program offered by the Plan will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Kevin Foltz, Account Manager, 229 Huber Village Boulevard, Westerville, Ohio 43081-5325.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 23 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

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

Note 24 - Subsequent Events

On November 2, 2010, the voters approved a renewal levy of 7.73 mills for current expenses.

On November 16, 2010, the School District issued Energy Conservation Improvement Bonds, in the amount of \$566,044, for modifications and remodeling of the School District buildings to conserve energy. The bonds have an interest rate of 4.25 percent and mature in December 2025.

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Receipts | Disbursements |
|---|---------------------------|----------------------------|----------------------------|
| U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance (Food Distribution): | | | |
| National School Lunch Program | 10.555 | \$ 101,020 | \$ 101,020 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | 220,741 | 220,741 |
| National School Lunch Program | 10.555 | 407,194 | 407,194 |
| Special Milk Program for Children | 10.556 | 531 | 531 |
| Cash Assistance Subtotal: | | <u>628,466</u> | <u>628,466</u> |
| Total Child Nutrition Cluster | | <u>729,486</u> | <u>729,486</u> |
| Total U.S. Department of Agriculture | | <u>729,486</u> | <u>729,486</u> |
| U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i> | | | |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | 460,511 | 460,237 |
| Special Education_Preschool Grants | 84.173 | 13,069 | 13,069 |
| ARRA - Special Education Grants to States, Recovery Act | 84.391 | 128,580 | 133,323 |
| ARRA - Special Education - Preschool Grants, Recovery Act | 84.392 | 8,784 | 8,583 |
| Total Special Education Cluster | | <u>610,944</u> | <u>615,212</u> |
| Title I Cluster: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 544,283 | 563,746 |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 133,582 | 193,166 |
| Total Title I Cluster | | <u>677,865</u> | <u>756,912</u> |
| School Improvement Cluster: | | | |
| School Improvement Grants | 84.377 | 5,341 | 18,560 |
| ARRA- School Improvement Grants, Recovery Act | 84.388 | 59,072 | 55,982 |
| Total School Improvement Cluster | | <u>64,413</u> | <u>74,542</u> |
| Education Technology Grant Cluster | | | |
| Education Technology State Grants | 84.318 | 2,877 | 6,775 |
| ARRA- Education Technology State Grants, Recovery Act | 84.386 | 70,007 | 65,184 |
| Total Education Technology Grant Cluster | | <u>72,884</u> | <u>71,959</u> |
| State Grant for Innovative Programs | 84.298 | 0 | 21 |
| Improving Teacher Quality State Grants | 84.367 | 143,836 | 144,693 |
| Safe and Drug-Free Schools and Communities_State Grants | 84.186 | 9,700 | 8,235 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 614,106 | 612,646 |
| Total U.S. Department of Education | | <u>2,193,748</u> | <u>2,284,220</u> |
| TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES | | <u>\$ 2,923,234</u> | <u>\$ 3,013,706</u> |

The accompanying notes are an integral part of this schedule.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Galion City School District
Crawford County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 8, 2011.

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

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

Dave Yost
Auditor of State

March 8, 2011



Dave Yost • Auditor of State

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

Galion City School District
Crawford County
470 Portland Way North
Galion, Ohio 44883

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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Galion City School District, Crawford County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 8, 2011

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control 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): | <p><u>Title I</u> CFDA #84.010 and #84.389 – Title I Grants to Local Educational Agencies</p> <p><u>Special Education Cluster</u> CFDA #84.027 – Special Education Grants to States CFDA #84.391 – ARRA - Special Education Grants to States, Recovery Act CFDA #84.173 – Special Education Preschool Grants CFDA #84.392 – ARRA - Special Education – Preschool Grants, Recovery Act</p> <p><u>State Fiscal Stabilization Fund</u> CFDA #84.394 – ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act</p> |
| <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 |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

GALION CITY SCHOOL DISTRICT

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2011**