



Dave Yost • Auditor of State



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	17
Statement of Fiduciary Net Assets – Fiduciary Funds.....	18
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund.....	19
Notes to the Basic Financial Statements .....	21
Federal Awards Receipts and Expenditures Schedule.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule .....	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A133.....	55
Schedule of Findings and Questioned Costs.....	57
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	63

**THIS PAGE INTENTIONALLY LEFT BLANK**



# 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, 2011, 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 the Galion City School District, Crawford County, Ohio, as of June 30, 2011, 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.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012, 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 taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 7, 2012

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
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, 2011. 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 2011 are as follows:

In total, net assets decreased \$990,015, or 2 percent, which is not a significant change.

General revenues were \$16,531,440, or 78 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 2011. 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.

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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**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 2011 and fiscal year 2010:

Table 1  
Net Assets

	Governmental Activities		
	2011	2010	Change
<u>Assets:</u>			
Current and Other Assets	\$11,840,374	\$11,826,400	\$13,974
Capital Assets, Net	55,875,502	56,502,815	(627,313)
Total Assets	<u>67,715,876</u>	<u>68,329,215</u>	<u>(613,339)</u>
<u>Liabilities:</u>			
Current and Other Liabilities	\$5,887,598	\$5,663,917	(\$223,681)
Long-Term Liabilities	19,563,229	19,410,234	(152,995)
Total Liabilities	<u>25,450,827</u>	<u>25,074,151</u>	<u>(376,676)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	38,508,718	39,234,943	(726,225)
Restricted	3,289,733	3,389,922	(100,189)
Unrestricted	466,598	630,199	(163,601)
Total Net Assets	<u>\$42,265,049</u>	<u>\$43,255,064</u>	<u>(\$990,015)</u>



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

As noted earlier, the overall change to net assets for the fiscal year ended June 30, 2011, was a decrease of 2 percent and not a significant change. As reflected in the above table, the only change of note was the decrease in net capital assets and invested in capital assets due to annual depreciation expense.

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

Table 2  
Change in Net Assets

	Governmental Activities		
	2011	2010	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$911,838	\$913,429	(\$1,591)
Operating Grants, Contributions, and Interest	3,806,314	4,275,549	(469,235)
Capital Grants and Contributions	12,500	10,000	2,500
Total Program Revenues	4,730,652	5,198,978	(468,326)
General Revenues			
Property Taxes Levied for General Purposes	4,437,143	4,402,517	34,626
Property Taxes Levied for Classroom Facilities Purposes	74,658	74,687	(29)
Property Taxes Levied for Debt Service Purposes	1,003,800	1,010,062	(6,262)
Payment in Lieu of Taxes	36,756	49,859	(13,103)
Grants and Entitlements	10,815,332	10,764,993	50,339
Interest	7,674	24,789	(17,115)
Gifts and Donations	12,772	11,983	789
Miscellaneous	143,305	188,415	(45,110)
Total General Revenues	16,531,440	16,527,305	4,135
Total Revenues	21,262,092	21,726,283	(464,191)

(continued)

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Table 2  
Change in Net Assets  
(continued)

	Governmental Activities		
	2011	2010	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$9,325,463	\$8,954,450	\$371,013
Special	3,661,526	3,488,936	172,590
Vocational	75,281	88,940	(13,659)
Support Services:			
Pupils	977,159	956,141	21,018
Instructional Staff	869,703	1,050,360	(180,657)
Board of Education	74,290	58,109	16,181
Administration	1,388,257	1,381,547	6,710
Fiscal	447,436	418,389	29,047
Operation and Maintenance of Plant	1,892,810	3,020,934	(1,128,124)
Pupil Transportation	781,405	832,372	(50,967)
Central	174,025	168,136	5,889
Non-Instructional Services	1,085,666	1,046,129	39,537
Extracurricular Activities	676,202	662,837	13,365
Interest and Fiscal Charges	822,884	816,642	6,242
Total Expenses	<u>22,252,107</u>	<u>22,943,922</u>	<u>(691,815)</u>
Decrease in Net Assets	(990,015)	(1,217,639)	227,624
Net Assets Beginning of Year	<u>43,255,064</u>	<u>44,472,703</u>	<u>(1,217,639)</u>
Net Assets End of Year	<u>\$42,265,049</u>	<u>\$43,255,064</u>	<u>(\$990,015)</u>

There was a decrease in program revenues from the prior fiscal year (9 percent decrease) primarily due to the expiration of grant resources received as a result of the American Recovery and Reinvestment Act (ARRA). This decrease was partially offset by grant resources obtained in fiscal year 2011 for the Education Jobs and Race to the Top programs. General revenues remained very comparable to fiscal year 2010.

Overall, expenses decreased 3 percent from the prior fiscal year with the most significant changes reflected in the regular and special instruction programs as well as the operation of maintenance and plant program. The increase in the regular and special instruction programs reflect additional instructional supplies and materials which the School District was able to acquire due to the receipt of ARRA grant resources. The decrease in the operation and maintenance program reflects the repayment of unspent resources to the Ohio School Facilities Commission related to the facilities construction in fiscal year 2010.

The major program expense, as expected, is for instruction, which accounts for 59 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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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	
	2011	2010	2011	2010
Instruction:				
Regular	\$9,325,463	\$8,954,450	\$8,122,172	\$8,364,261
Special	3,661,526	3,488,936	1,370,483	165,335
Vocational	75,281	88,940	66,192	76,588
Support Services:				
Pupils	977,159	956,141	976,664	947,706
Instructional Staff	869,703	1,050,360	869,703	1,050,360
Board of Education	74,290	58,109	74,290	58,109
Administration	1,388,257	1,381,547	1,388,257	1,381,547
Fiscal	447,436	418,389	447,436	418,389
Operation and Maintenance of Plant	1,892,810	3,020,934	1,892,810	3,020,934
Pupil Transportation	781,405	832,372	722,125	773,217
Central	174,025	168,136	169,025	163,136
Non-Instructional Services	1,085,666	1,046,129	83,577	2,799
Extracurricular Activities	676,202	662,837	515,837	495,921
Interest and Fiscal Charges	822,884	816,642	822,887	816,642
Total Expenses	<u>\$22,252,107</u>	<u>\$22,943,922</u>	<u>\$17,521,458</u>	<u>\$17,734,944</u>

There was a slight decrease in the cost of services provided for through program revenues in fiscal year 2011 due, in part, to the expiration of grant resources received as a result of the American Recovery and Reinvestment Act (ARRA). 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. Over 62 percent of the special instruction costs are provided for through various grants restricted for special instruction purposes. Over 92 percent of non-instructional services were provided for through program revenues. This is primarily due to cafeteria sales, state and federal subsidies and donated commodities for food service, and for State resources received by the School District on behalf of the parochial school located within the School District.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates a 16 percent decrease in the fund balance for the General Fund. While revenues remained relatively constant, there was a 3 percent increase in expenditures causing the School District to dip into their carryover cash balance. For the Bond Retirement debt service fund, tax collections continue to exceed amounts required to make current debt payments.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

---

**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 2011, 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 2011, the School District had \$55,875,502 invested in capital assets (net of accumulated depreciation). The majority of the additions included energy conservation renovations and vehicles, including a new bus. 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, 2011, consisted of general obligation bonds, in the amount of \$18,148,091. 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.

**Current Issues**

The administration and board members continue to closely monitor the financial condition of the School District. The School District has made over \$1 million in reductions in expenditures due to decreasing enrollment and in anticipation of State funding reductions for fiscal year 2012 and beyond. We realized a reduction of approximately \$700,000 in State funding sources for our School District when comparing fiscal year 2011 to fiscal year 2012. The State is also considering a change in the State funding formula for schools in the second year of the biennium budget, fiscal year 2013.

Beginning in fiscal year 2011, the School District will receive \$487,894 from an Education Jobs Grant (a two-year grant), \$282,004 from a Race to the Top Grant (a four-year grant), and \$61,000 from a Race to the Top AVID Grant (a three-year grant). Galion City School District is the only Crawford County school district to participate in the Race to the Top initiative. 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 issued HB 264 Energy Conservation Improvement Bonds, in the amount of \$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. The first five months electric usage in fiscal year 2012 since the energy conservation measures were implemented yielded over \$38,000 in savings from the prior fiscal year. This amount of savings exceeds the principal payment for this school year.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

---

Galion City School District was proud to earn an Excellent rating on our 2010-2011 local district report card based upon our Value Added measure. Our High School earned an Effective rating. Our Middle School earned an Excellent rating based upon their Value Added measure and met Adequate Yearly Progress. Our Intermediate Elementary School earned an Effective rating. Because our Primary Elementary School does not have any state-level assessments to use for indicators, it receives the same designation of Effective as the Intermediate Elementary School. Parental support of the educational process is reflected by our attendance rate continuing to score above State expectations.

In fiscal year 2012, the School District adopted a kindergarten through 8<sup>th</sup> grade comprehensive reading program aligned to the new common core standards. This is another major step in the School District's commitment to developing a 21<sup>st</sup> Century learning environment.

**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.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,726,549
Cash and Cash Equivalents with Escrow Agents	22,977
Accounts Receivable	16,902
Intergovernmental Receivable	726,031
Inventory Held for Resale	40,540
Materials and Supplies Inventory	4,852
Property Taxes Receivable	5,975,024
Payment in Lieu of Taxes Receivable	38,683
Unamortized Issuance Costs	288,816
Nondepreciable Capital Assets	1,356,307
Depreciable Capital Assets, Net	<u>54,519,195</u>
Total Assets	<u>67,715,876</u>
 <u>Liabilities:</u>	
Accounts Payable	149,447
Contracts Payable	87,490
Accrued Wages and Benefits Payable	1,658,193
Matured Compensated Absences Payable	83,293
Intergovernmental Payable	546,011
Deferred Revenue	3,271,232
Accrued Interest Payable	66,548
Retainage Payable	25,384
Long-Term Liabilities:	
Due Within One Year	537,407
Due in More Than One Year	<u>19,025,822</u>
Total Liabilities	<u>25,450,827</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	38,508,718
Restricted For:	
Debt Service	539,579
Capital Projects	1,274,762
Other Purposes	1,475,392
Unrestricted	<u>466,598</u>
Total Net Assets	<u><u>\$42,265,049</u></u>

See Accompanying Notes to Basic Financial Statements

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	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	\$9,325,463	\$369,853	\$833,438	\$0	(\$8,122,172)
Special	3,661,526	98,429	2,192,614	0	(1,370,483)
Vocational	75,281	1,937	7,152	0	(66,192)
Support Services:					
Pupils	977,159	495	0	0	(976,664)
Instructional Staff	869,703	0	0	0	(869,703)
Board of Education	74,290	0	0	0	(74,290)
Administration	1,388,257	0	0	0	(1,388,257)
Fiscal	447,436	0	0	0	(447,436)
Operation and Maintenance of Plant	1,892,810	0	0	0	(1,892,810)
Pupil Transportation	781,405	0	59,280	0	(722,125)
Central	174,025	0	5,000	0	(169,025)
Non-Instructional Services	1,085,666	296,940	705,149	0	(83,577)
Extracurricular Activities	676,202	144,184	3,681	12,500	(515,837)
Interest and Fiscal Charges	822,884	0	0	0	(822,884)
Total Governmental Activities	<u>\$22,252,107</u>	<u>\$911,838</u>	<u>\$3,806,314</u>	<u>\$12,500</u>	<u>(17,521,455)</u>

General Revenues:

Property Taxes Levied for General Purposes	4,437,143
Property Taxes Levied for Classroom Facilities Purposes	74,658
Property Taxes Levied for Debt Service Purposes	1,003,800
Payment in Lieu of Taxes	36,756
Grants and Entitlements not Restricted to Specific Programs	10,815,332
Interest	7,674
Gifts and Donations	12,772
Miscellaneous	143,305
Total General Revenues	<u>16,531,440</u>

Change in Net Assets (990,015)

Net Assets at Beginning of Year - Restated (Note 3)	43,255,064
Net Assets at End of Year	<u>\$42,265,049</u>

See Accompanying Notes to the Basic Financial Statements



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,722,717	\$417,028	\$2,586,804	\$4,726,549
Accounts Receivable	16,231	0	671	16,902
Interfund Receivable	88,300	0	81	88,381
Intergovernmental Receivable	2,029	0	724,002	726,031
Inventory Held for Resale	0	0	40,540	40,540
Materials and Supplies Inventory	830	0	4,022	4,852
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agents	0	0	22,977	22,977
Property Taxes Receivable	4,806,970	1,086,903	81,151	5,975,024
Payment in Lieu of Taxes Receivable	0	0	38,683	38,683
<b>Total Assets</b>	<b>\$6,637,077</b>	<b>\$1,503,931</b>	<b>\$3,498,931</b>	<b>\$11,639,939</b>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$33,638	\$0	\$115,809	\$149,447
Contracts Payable	0	0	87,490	87,490
Accrued Wages and Benefits Payable	1,445,799	0	212,394	1,658,193
Matured Compensated Absences Payable	83,293	0	0	83,293
Interfund Payable	0	0	88,381	88,381
Intergovernmental Payable	485,277	0	60,734	546,011
Deferred Revenue	3,085,341	694,778	550,017	4,330,136
Retainage Payable	0	0	2,407	2,407
Payable from Restricted Assets:				
Retainage Payable	0	0	22,977	22,977
<b>Total Liabilities</b>	<b>5,133,348</b>	<b>694,778</b>	<b>1,140,209</b>	<b>6,968,335</b>
<u>Fund Balances:</u>				
Nonspendable	830	0	44,562	45,392
Restricted	0	809,153	2,325,987	3,135,140
Assigned	143,779	0	0	143,779
Unassigned (Deficit)	1,359,120	0	(11,827)	1,347,293
<b>Total Fund Balances</b>	<b>1,503,729</b>	<b>809,153</b>	<b>2,358,722</b>	<b>4,671,604</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,637,077</b>	<b>\$1,503,931</b>	<b>\$3,498,931</b>	<b>\$11,639,939</b>

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, 2011**

Total Governmental Fund Balances		\$4,671,604
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		55,875,502
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	13,871	
Intergovernmental Receivable	461,140	
Property Taxes Receivable	583,893	
		1,058,904
Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		288,816
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(66,548)	
General Obligation Bonds Payable	(18,148,091)	
Compensated Absences Payable	(1,376,980)	
Capital Leases Payable	(38,158)	
		(19,629,777)
Net Assets of Governmental Activities		\$42,265,049

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, 2011**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,428,269	\$1,000,050	\$74,423	\$5,502,742
Payment in Lieu of Taxes	0	0	36,756	36,756
Intergovernmental	10,906,559	276,697	3,704,507	14,887,763
Interest	2,981	976	4,890	8,847
Tuition and Fees	466,388	0	0	466,388
Extracurricular Activities	7,762	0	135,361	143,123
Charges for Services	0	0	296,940	296,940
Gifts and Donations	12,772	0	16,181	28,953
Miscellaneous	137,892	0	8,012	145,904
Total Revenues	<u>15,962,623</u>	<u>1,277,723</u>	<u>4,277,070</u>	<u>21,517,416</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,012,783	0	653,534	8,666,317
Special	2,139,918	0	1,437,486	3,577,404
Vocational	59,060	0	249	59,309
Support Services:				
Pupils	666,039	0	296,299	962,338
Instructional Staff	551,759	0	321,711	873,470
Board of Education	69,893	3,500	897	74,290
Administration	1,312,897	0	27,792	1,340,689
Fiscal	394,041	29,977	12,466	436,484
Operation and Maintenance of Plant	1,567,412	0	148,785	1,716,197
Pupil Transportation	755,305	0	94,710	850,015
Central	116,695	0	56,891	173,586
Non-Instructional Services	0	0	931,245	931,245
Extracurricular Activities	520,339	0	116,649	636,988
Capital Outlay	0	0	533,199	533,199
Debt Service:				
Principal Retirement	36,175	360,000	0	396,175
Interest and Fiscal Charges	3,455	792,929	0	796,384
Total Expenditures	<u>16,205,771</u>	<u>1,186,406</u>	<u>4,631,913</u>	<u>22,024,090</u>
Excess of Revenues Over (Under) Expenditures	<u>(243,148)</u>	<u>91,317</u>	<u>(354,843)</u>	<u>(506,674)</u>
<u>Other Financing Sources (Uses):</u>				
General Obligation Bonds Issued	0	0	566,044	566,044
Transfers In	0	0	50,182	50,182
Transfers Out	(50,182)	0	0	(50,182)
Total Other Financing Sources (Uses)	<u>(50,182)</u>	<u>0</u>	<u>616,226</u>	<u>566,044</u>
Changes in Fund Balances	(293,330)	91,317	261,383	59,370
Fund Balances at Beginning of Year - Restated (Note 3)	<u>1,797,059</u>	<u>717,836</u>	<u>2,097,339</u>	<u>4,612,234</u>
Fund Balances at End of Year	<u>\$1,503,729</u>	<u>\$809,153</u>	<u>\$2,358,722</u>	<u>\$4,671,604</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Changes in Fund Balances - Total Governmental Funds \$59,370

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 - Nondepreciable Capital Assets	482,442	
Capital Outlay - Depreciable Capital Assets	240,898	
Depreciation	<u>(1,350,653)</u>	(627,313)

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

Property Taxes	12,859	
Intergovernmental	(271,901)	
Tuition and Fees	<u>3,718</u>	(255,324)

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	360,000	
Capital Leases Payable	<u>36,175</u>	396,175

Bond proceeds are reported as other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets.

(566,044)

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	(1,108)	
Annual Accretion on Capital Appreciation Bonds	(26,046)	
Amortization of Premium	<u>13,299</u>	(13,855)

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.

(12,645)

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

29,621

Change in Net Assets of Governmental Activities (\$990,015)

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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$4,298,790	\$4,367,371	\$4,400,242	\$32,871
Intergovernmental	10,965,476	10,928,903	10,906,559	(22,344)
Interest	25,000	3,000	4,459	1,459
Tuition and Fees	462,660	478,790	466,148	(12,642)
Extracurricular Activities	661	6,661	7,762	1,101
Gifts and Donations	9,696	19,696	12,772	(6,924)
Miscellaneous	91,030	89,900	95,553	5,653
Total Revenues	<u>15,853,313</u>	<u>15,894,321</u>	<u>15,893,495</u>	<u>(826)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,070,584	8,149,547	7,954,613	194,934
Special	2,123,152	2,121,175	2,132,399	(11,224)
Vocational	57,038	60,544	58,671	1,873
Support Services:				
Pupils	730,221	741,521	637,941	103,580
Instructional Staff	579,219	571,846	552,810	19,036
Board of Education	113,151	112,785	92,382	20,403
Administration	1,334,212	1,334,512	1,320,941	13,571
Fiscal	392,229	392,429	398,345	(5,916)
Operation and Maintenance of Plant	1,565,930	1,580,930	1,583,822	(2,892)
Pupil Transportation	770,633	759,971	802,034	(42,063)
Central	149,473	150,148	116,059	34,089
Extracurricular Activities	533,820	535,820	526,543	9,277
Total Expenditures	<u>16,419,662</u>	<u>16,511,228</u>	<u>16,176,560</u>	<u>334,668</u>
Excess of Revenues Under Expenditures	<u>(566,349)</u>	<u>(616,907)</u>	<u>(283,065)</u>	<u>333,842</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	43,365	50,365	50,303	(62)
Refund of Prior Year Receipts	0	(500)	(500)	0
Advances In	120,000	161,000	157,400	(3,600)
Advances Out	(120,000)	(158,500)	(158,500)	0
Transfers In	0	124,500	0	(124,500)
Transfers Out	0	(50,182)	(50,182)	0
Total Other Financing Sources (Uses)	<u>43,365</u>	<u>126,683</u>	<u>(1,479)</u>	<u>(128,162)</u>
Changes in Fund Balance	(522,984)	(490,224)	(284,544)	205,680
Fund Balance at Beginning of Year	1,622,766	1,622,766	1,622,766	0
Prior Year Encumbrances Appropriated	249,862	249,862	249,862	0
Fund Balance at End of Year	<u>\$1,349,644</u>	<u>\$1,382,404</u>	<u>\$1,588,084</u>	<u>\$205,680</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$256,183	\$45,003
Accounts Receivable	500	0
Total Assets	256,683	\$45,003
<u>Liabilities:</u>		
Undistributed Assets	0	\$18,109
Due to Students	0	26,894
Total Liabilities	0	\$45,003
<u>Net Assets:</u>		
Held in Trust for Scholarships	240,793	
Endowment	15,890	
Total Net Assets	\$256,683	

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, 2011**

Additions:

Interest	\$511
Gifts and Donations	2,200
Total Additions	<u>2,711</u>

Deductions:

Non-Instructional Services	<u>4,050</u>
----------------------------	--------------

Change in Net Assets (1,339)

Net Assets at Beginning of Year	<u>258,022</u>
Net Assets at End of Year	<u><u>\$256,683</u></u>

See Accompanying Notes to the Basic Financial Statements

**THIS PAGE INTENTIONALLY LEFT BLANK**



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

---

**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 269<sup>th</sup> 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 1,992 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 22 and 23 to the basic financial statements.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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.

**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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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, 2011  
(Continued)**

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**C. Measurement Focus** (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, 2011  
(Continued)**

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting** (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, 2011, but which were levied to finance fiscal year 2012 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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".

Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agents".

During fiscal year 2011, 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, 2011.

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 2011 was \$2,981, which includes \$865 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 expensed/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the Building capital projects fund consists of resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors.

**I. Capital Assets**

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

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**I. Capital Assets** (continued)

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

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

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

**J. Interfund Assets/Liabilities**

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

**K. 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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**L. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, 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.

**M. 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 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.

**N. Fund Balance**

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

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

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

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



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**N. Fund Balance** (continued)

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**O. 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.

**P. Interfund Transactions**

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

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

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

**Q. Estimates**

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

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets**

**A. Change in Accounting Principles**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

**B. Restatement of Fund Balance/Net Assets**

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$1,779,127	\$717,836	\$2,082,968	\$4,579,931
Change in Fund Structure	17,932	0	14,371	32,303
Adjusted Fund Balance at June 30, 2010	<u>\$1,797,059</u>	<u>\$717,836</u>	<u>\$2,097,339</u>	<u>\$4,612,234</u>

The restatement for the implementation of GASB Statement No. 54 as well as a correction to the receivable for payment in lieu of taxes had the following effect on net assets.

	Total Governmental Activities
Net Assets at June 30, 2010	\$43,259,518
Change in Fund Structure	32,303
Payment in Lieu of Taxes Receivable	(36,757)
Restated Net Assets at June 30, 2010	<u>\$43,255,064</u>

**Note 4 - Accountability**

At June 30, 2011, the following funds had deficit fund balances:

Fund Type/Fund	Deficit
Special Revenue Funds	
EMIS	\$386
Race to the Top	121
Title VI-B	3,890
Title I	1,789
Preschool	68
Title II-A	5,573

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 4 - Accountability** (continued)

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.

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

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

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

Changes in Fund Balance	
GAAP Basis	(\$293,330)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received in Cash FY 2011	1,721,064
Accrued FY 2011 Not Yet Received in Cash	(1,739,889)
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(1,885,133)
Accrued FY 2011, Not Yet Paid in Cash	2,048,007
Materials and Supplies Inventory	470
Advances In	157,400
Advances Out	(158,500)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(134,633)
Budget Basis	<u><u>(\$284,544)</u></u>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 6 - Deposits and Investments** (continued)

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.

Investments

As of June 30, 2011, the fair value of funds on deposit with STAR Ohio was \$266,439. The School District's investments in STAR Ohio have an average maturity of 58.3 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, 2011, 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	
State of Ohio	\$974
NCOESC	1,055
Total General Fund	2,029
Other Governmental Funds	
Education Jobs	302,970
Race to the Top	64,099
Title VI-B	172,793
Title II-D	180
Title I	159,240
Title II-A	13,336
CAFS	11,384
Total Other Governmental Funds	724,002
Total Intergovernmental Receivables	\$726,031

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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 2011 (other than public utility property) represent the collection of calendar year 2011 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. 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, 2011, are available to finance fiscal year 2011 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, 2011, 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.

The amount available as an advance at June 30, 2011, was \$1,735,500 in the General Fund, \$29,031 in the Classroom Facilities special revenue fund, and \$392,125 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2010, 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

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 8 - Property Taxes** (continued)

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 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$175,077,060	98.87%	\$174,551,830	98.69%
Public Utility	1,999,610	1.13	2,325,660	1.31
Total Assessed Value	<u>\$177,076,670</u>	<u>100.00%</u>	<u>\$176,877,490</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$59.33		\$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, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$873,865	\$0	\$0	\$873,865
Construction in Progress	0	482,442	0	482,442
Total Nondepreciable Capital Assets	<u>873,865</u>	<u>482,442</u>	<u>0</u>	<u>1,356,307</u>
Depreciable Capital Assets				
Land Improvements	640,524	0	0	640,524
Buildings and Building Improvements	56,993,465	13,122	0	57,006,587
Furniture, Fixtures, and Equipment	1,268,244	89,452	0	1,357,696
Vehicles	1,187,859	138,324	(53,189)	1,272,994
Total Depreciable Capital Assets	<u>60,090,092</u>	<u>240,898</u>	<u>(53,189)</u>	<u>60,277,801</u>

(continued)

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 10 - Capital Assets** (continued)

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$308,547)	(\$23,840)	\$0	(\$332,387)
Buildings and Building Improvements	(3,098,260)	(1,142,221)	0	(4,240,481)
Furniture, Fixtures, and Equipment	(399,945)	(115,451)	0	(515,396)
Vehicles	(654,390)	(69,141)	53,189	(670,342)
Total Accumulated Depreciation	(4,461,142)	(1,350,653)	53,189	(5,758,606)
Depreciable Capital Assets, Net	55,628,950	(1,109,755)	0	54,519,195
Governmental Activities Capital Assets, Net	\$56,502,815	(\$627,313)	\$0	\$55,875,502

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$655,347
Special	121,700
Vocational	15,972
Support Services:	
Pupils	14,318
Instructional Staff	2,534
Administration	43,933
Fiscal	4,967
Operation and Maintenance of Plant	191,594
Pupil Transportation	65,552
Central	548
Non-Instructional Services	182,051
Extracurricular Activities	52,137
Total Depreciation Expense	<u>\$1,350,653</u>

**Note 11 - Interfund Receivables/Payables**

At June 30, 2011, the General Fund had an interfund receivable, in the amount of \$88,300, from other governmental funds for short-term loans made to those funds. Other governmental funds had an interfund receivable, in the amount of \$81, from other governmental funds for services provided to those funds. All amounts are expected to be repaid within one year.



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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 2011, 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 2011, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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

**Note 13 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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](http://www.strsoh.org).

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 13 - Defined Benefit Pension Plans** (continued)

**A. State Teachers Retirement System** (continued)

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$1,131,979 and \$7,247 for the fiscal year ended June 30, 2011, \$1,125,527 and \$7,307 for the fiscal year ended June 30, 2010, and \$1,081,642 for the fiscal year ended June 30, 2009. For fiscal year 2011, 83 percent has been contributed for both the DBP the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$6,634 made by the School District and \$4,739 made by the plan members. In addition, member contributions of \$5,177 were made for fiscal year 2011 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 13 - Defined Benefit Pension Plans** (continued)

**B. School Employees Retirement System** (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$242,677, \$256,970, and \$170,496, respectively. For fiscal year 2011, 26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**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, 2011, 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 participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$88,143, \$88,079, and \$84,171, respectively. For fiscal year 2011, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 14 - Postemployment Benefits** (continued)

**B. School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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 obligation 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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 105(e). For fiscal year 2011, 1.43 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 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$30,792 in surcharge.

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, 2011, 2010, and 2009 was \$29,384, \$9,249, and \$78,027, respectively. For fiscal year 2011, 26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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 2011, 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, 2011, 2010, and 2009 was \$15,617, \$15,281, and \$14,067, respectively. For fiscal year 2011, 26 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 15 - Other Employee Benefits** (continued)

**A. Compensated Absences** (continued)

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 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
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%	1,945,000	0	260,000	1,685,000	275,000
Capital Appreciation Bonds					
11.42%	110,000	0	0	110,000	0
Accretion on Capital					
Appreciation Bonds	111,797	26,046	0	137,843	0
Premium	217,187	0	10,141	207,046	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%	285,000	0	100,000	185,000	105,000
Premium	105,316	0	3,158	102,158	0
Energy Conservation Bonds					
FY11					
Serial Bonds 4.25%	0	566,044	0	566,044	36,044
Total General Obligation Bonds	17,929,300	592,090	373,299	18,148,091	416,044
Compensated Absences	1,406,601	94,682	124,303	1,376,980	83,205
Capital Leases	74,333	0	36,175	38,158	38,158
Total Governmental Activities					
Long-Term Obligations	<u>\$19,410,234</u>	<u>\$686,772</u>	<u>\$533,777</u>	<u>\$19,563,229</u>	<u>\$537,407</u>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(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, 2011  
(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 2011, \$26,046 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$247,843 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

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

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 16 - Long-Term Obligations** (continued)

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.

FY 2011 Energy Conservation Bonds - On November 16, 2010, the School District issued \$566,044 in unvoted general obligation bonds for modifications and remodeling of the School District buildings to conserve energy. The bond issue included serial bonds, in the original amount of \$566,044. The bonds were issued for a fifteen fiscal year period, with final maturity in fiscal year 2026. The bonds are being retired through the Bond Retirement debt service fund. As of June 30, 2011, the School District had unspent bond proceeds, in the amount of \$83,602.

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

Compensated absences and capital leases will be paid from the General Fund.

The School District's overall debt margin was (\$1,169,493) with an unvoted debt margin of \$174,693 at June 30, 2011. 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, 2011  
(Continued)**

**Note 16 - Long-Term Obligations** (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2011, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2012	\$416,044	\$0	\$0	\$791,859	\$1,207,903
2013	60,000	0	110,000	963,888	1,133,888
2014	380,000	0	0	776,170	1,156,170
2015	395,000	0	0	762,583	1,157,583
2016	410,000	0	0	747,183	1,157,183
2017-2021	600,000	2,320,000	0	3,375,530	6,295,530
2022-2026	175,000	4,435,000	0	2,449,129	7,059,129
2027-2031	0	6,695,000	0	1,140,179	7,835,179
2032	0	1,705,000	0	36,877	1,741,877
	<u>\$2,436,044</u>	<u>\$15,155,000</u>	<u>\$110,000</u>	<u>\$11,043,398</u>	<u>\$28,744,442</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 2011 were \$36,175.

	Governmental Activities
Equipment under Capital Lease	\$162,952
Less Accumulated Depreciation	(91,259)
Total June 30, 2011	<u>\$71,693</u>

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, 2011.

Year	Governmental Activities	
	Principal	Interest
2012	\$38,158	\$1,471

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 18 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Inventory Held for Resale	\$0	\$0	\$40,540	\$40,540
Materials and Supplies Inventory	830	0	4,022	4,852
<b>Total Nonspendable</b>	<b>830</b>	<b>0</b>	<b>44,562</b>	<b>45,392</b>
Restricted for:				
Athletics and Music	0	0	31,125	31,125
Building Construction	0	0	928,254	928,254
Debt Retirement	0	809,153	0	809,153
Food Service Operations	0	0	347,015	347,015
Permanent Improvements	0	0	430,110	430,110
Regular Instruction	0	0	50,310	50,310
School Facilities Maintenance	0	0	539,173	539,173
<b>Total Restricted</b>	<b>0</b>	<b>809,153</b>	<b>2,325,987</b>	<b>3,135,140</b>
Assigned for:				
Educational Activities	17,838	0	0	17,838
Extracurricular Activities	14,803	0	0	14,803
Unpaid Obligations	111,138	0	0	111,138
<b>Total Assigned</b>	<b>143,779</b>	<b>0</b>	<b>0</b>	<b>143,779</b>
Unassigned (Deficit):	1,359,120	0	(11,827)	1,347,293
<b>Total Fund Balance</b>	<b>\$1,503,729</b>	<b>\$809,153</b>	<b>\$2,358,722</b>	<b>\$4,671,604</b>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 19 - 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 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	(\$3,335)	\$0
Current Year Set Aside Requirement	262,691	262,691
Qualifying Expenditures	(259,772)	(200,399)
Current Year Offsets	0	(62,292)
Balance June 30, 2011	(\$416)	\$0

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This negative balance is therefore not presented as being carried forward to the future fiscal year.

**Note 20 - Interfund Transfers**

During fiscal year 2011, the General Fund made transfers to other governmental funds, in the amount of \$50,182, to subsidize operations of other funds.

**Note 21 - 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 \$240,793 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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 22 - 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 2011, the School District paid \$99,080 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.

**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 23 - 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.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

---

**Note 23 - Insurance Pools** (continued)

**B. Crawford-Wyandot Health Benefit Plan**

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

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

**Note 24 - 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, 2011.

**B. Litigation**

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

**THIS PAGE IS INTENTIONALLY LEFT BLANK**

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
Program Title			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 108,082	\$ 108,082
Cash Assistance:			
School Breakfast Program	10.553	227,134	227,134
National School Lunch Program	10.555	411,747	411,747
Special Milk Program for Children	10.556	548	548
Cash Assistance Subtotal:		<u>639,429</u>	<u>639,429</u>
Total Child Nutrition Cluster		<u>747,511</u>	<u>747,511</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	<u>2,491</u>	<u>2,491</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>750,002</u></b>	<b><u>750,002</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	447,422	446,987
Special Education - Preschool Grants	84.173	12,956	12,956
ARRA - Special Education Grants to States, Recovery Act	84.391	388,019	402,427
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	10,036	10,225
Total Special Education Cluster		<u>858,433</u>	<u>872,595</u>
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	594,314	525,106
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	154,187	152,184
Total Title I Cluster		<u>748,501</u>	<u>677,290</u>
Improving Teacher Quality State Grants	84.367	131,785	130,971
Education Technology State Cluster			
Education Technology State Grants	84.318	6,453	2,618
ARRA- Education Technology State Grants, Recovery Act	84.386	176,786	180,846
Total Education Technology Grant Cluster		<u>183,239</u>	<u>183,464</u>
ARRA- School Improvement Grants, Recovery Act	84.388	-	3,090
Safe and Drug-Free Schools and Communities State Grants	84.186	-	3,608
ARRA- State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	766,815	768,275
ARRA- State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395	6,672	6,249
Education Jobs Fund	84.410	<u>172,171</u>	<u>171,396</u>
<b>Total U.S. Department of Education</b>		<b><u>2,867,616</u></b>	<b><u>2,816,938</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 3,617,618</u></b>	<b><u>\$ 3,566,940</u></b>

*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, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# 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 the Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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*.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies, 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 7, 2012



# 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 44833

To the Board of Education:

### Compliance

We have audited the compliance of Galion City School District, Crawford County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

As described in finding 2011-001 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs/cost principles applicable to its Title VI-B major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2011.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-001 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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



**Dave Yost**  
Auditor of State

March 7, 2012

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	ARRA - State Fiscal Stabilization Fund (SFSP) – Education State Grants, Recovery Act – CFDA #84.394  Title I Cluster - CFDA #84.010 and 84.389  Special Education Cluster - CFDA #84.027, 84.391, 84.173. and 84.392  Nutrition Cluster – CFDA #10.555, #10.553, and #10.556
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

<b>Finding Number</b>	2011-001
<b>CFDA Title and Number</b>	ARRA – Special Education Grants to States, Recovery Act – CFDA #84.391
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Costs/Material Weakness – Allowable Costs/Cost Principles – Title VI-B Grant**

2 C.F.R. Part 225, Appendix A, Section C(3)(a) states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Further, Section C(1)(a)-(j) lists the factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of 2 C.F.R. Part 225.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in 2 C.F.R. Part 225, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Questioned Costs/Material Weakness – Allowable Costs/Cost Principles – Title VI-B Grant (Continued)**

During fiscal year 2011, the District charged the federal Title VI-B grant \$36,247 for i-pads and related accessories and \$31,394 for SmartBoards. These purchases totaling \$67,641 benefitted special education students as well as students not participating in the special education program.

It is not readily determinable what percentage of the aforementioned expenditures benefitted those students not participating in the special education program; therefore, total questioned costs are \$67,641 out of the \$872,595 in total federal Title VI-B grant expenditures during fiscal year 2011.

We recommend the District takes steps to ensure the allowability of costs charged to the federal Title VI-B grant program.

**Officials' Response and Corrective Action Plan:**

The Galion City School District has approximately 20% of its student enrollment served through special education programs. The administration and staff of the Galion City School District are very mindful of expenditures and seek to maximize the impact of expenditures on increased student achievement. After much discussion and intensive study, the team determined the greatest benefit to students would be through the use of technology devices that would not have otherwise been available to the students. Our teachers have received extensive training in the use of technology in the classroom, co-teaching (Regular teachers teamed with Intervention Specialists), and RTI (Response to Intervention) models in which teachers track the ongoing progress of both special need students and those that are identified as at risk (Title I). Because of the successful implementation of these programs through ARRA funding, our district is expanding the integration of technology and improved instructional practices. We are currently piloting a 1 to 1 program in Grades 5, 7 and 9 by providing access to laptop computers. We believe strongly that we are obligated to provide access to technology tools in support of their academic success. Technology that would not otherwise be available to them due to the high rate of poverty in our region (58.4% of our district's students qualify for Free or Reduced Lunch Program).

**iPads /Mimeos:**

Specifically, the Galion Primary Elementary School (Preschool – Grade 2) received 11 iPads. These iPads are shared across grade levels and support students in a variety of special education settings. Specifically, there are 32 students who receive special education services through K-2 classroom instruction.

The other three buildings carry similar demographics. Specifically, Galion Intermediate Elementary School (Grades 3-5) received 17 iPads to support 52 identified students for special education services. Galion Middle School (Grades 6-8) received 21 iPads to support 65 identified students and Galion High School (Grades 9-12) received 13 iPads to support 62 identified students.

Further, the district provides 45 students with Speech Only services who can be supported very effectively through a variety of articulation and speech intervention applications available on the iPads.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Questioned Costs/Material Weakness – Allowable Costs/Cost Principles – Title VI-B Grant (Continued)**

With regard to the Mimeos, the student numbers are identical. The key with these devices is to ensure the interactive devices are available throughout the day as the students travel among classrooms. IDEA specifies, "To the maximum extent appropriate, children with disabilities, including children in public or private institutions or other care facilities, are educated with children who are not disabled, and special classes, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability of a child is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily." The interactive devices provide instant accommodations such as notes, sample problems, and other adaptive tools that can differentiate instruction for students based on their IEPs. Without the devices being readily available, students would be limited to their access to these learning supports thus inhibiting our ability to carry out the requirements of the students' IEPs. By IDEA regulations, we are obligated to provide students with the 'Least Restrictive Environment' and both the iPads and the interactive white boards (Mimeos) significantly and positively enable us to provide better services to our special needs population. Because throughout the day these devices are used by students in a variety of instructional methods and a variety of classroom settings, it is not practical to specifically identify a dollar allocation between funds.

Our district currently has 24 classrooms / teachers who provide instruction in specialty areas such as Music, Art, Physical Education, Health, Study Skills, Foreign Language, Industrial Technology and several other high school elective course offerings. The Mimeo technology better equips these specialty classrooms for differentiation and support of the special education students being served with the general population. With support and accommodations, these students are finding great success in the elective classes.

Currently the breakdown on staffing / classroom use of the Mimeo are as follows:

Galion Primary Elementary School: 8 Mimeos to support 11 classrooms serving special need students:  
3 Special Education Inclusion Classrooms – each special education inclusion teacher serves students in 2-3 different classroom settings daily  
2 Special Education Resource Room Teachers (Both self-contained and inclusion classrooms daily)  
3 Specialists - serves all general education and special education students

Galion Intermediate Elementary School: 10 Mimeos to support 16 classrooms serving special need students:  
4 Special Education Inclusion Classrooms – each teacher serves students in 4 different classroom settings daily  
3 Special Education Resource Room Teachers (Both self-contained and inclusion classrooms daily)  
3 Specialists - serves all general education and special education students

Galion Middle School: 11 Mimeos and 1 Mimeo pad to support 16 classrooms serving special needs:  
5 Special Education Inclusion Classrooms – each teacher serves students in 4 different classroom settings daily  
2 Special Education Resource Room Teachers (Both self-contained and inclusion classrooms daily)  
8 Specialists – serves all general education and special education students



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Questioned Costs/Material Weakness – Allowable Costs/Cost Principles – Title VI-B Grant (Continued)**

Galion High School: 8 Mimeos and 1 Mimeo Pad to support 16 classrooms serving special need students:  
6 Special Education Inclusion Classrooms – each teacher serves students in 4 different classroom settings daily  
10 Specialists – serves all general education and special education students

Galion City Schools Administrative Center – 1 Mimeo was designated for use by the District at the Administrative Center for meetings focusing on Special Education students served within and outside the district. In many cases, students are placed in facilities or programs in districts other than Galion (Hearing Impaired, Vision Impaired, Foster Care, Residential Facilities) and our administrative team is responsible for facilitating annual IEP review meetings on these students.

**ACTION PLAN:**

The Galion City School Board of Education and Administration has made a strong commitment to expanding access to curriculum through the implementation of a One to One Technology Program. The district intends to assign devices to individual students as the program is implemented. The devices purchased through IDEA and Title I ARRA funding will be assigned to special education identified students and Title I students. For example, as the iPads are used as a One to One device, those purchased with IDEA funding will be distributed to special education identified students.

The interactive white board devices will continue to be used by either Intervention Specialists or general education teachers who are serving students who are being served per the IDEA requirements of Least Restrictive Environment.

The district administrative team will carefully monitor and track the placement of devices via an electronic inventory management system to ensure that the devices are being used appropriately by the identified population.

We adhere to the assertion that we spent these funds in accordance with the grant guidelines and have safe guards in place to monitor and track the future use of the devices and materials. As such, no other corrective actions need to occur since these grants were funded by federal stimulus funds and additional dollars are not currently available. Since there are no other funds to be received, we cannot take any additional corrective actions in the future.

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Galion City School District, Crawford County, Ohio, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 19, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 7, 2012

**This page intentionally left blank.**



# 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, 2012**