



Dave Yost • Auditor of State

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2013, 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 12, 2013

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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, 2012. 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 2012 are as follows:

In total, net assets decreased \$1,314,305, or 3 percent.

General revenues were \$15,670,952, or 78 percent of total revenues, and reflect the School District's substantial dependence on property taxes and unrestricted State entitlements.

Using the Basic Financial Statements

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

The statement of net 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 2012. 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1 Net Assets			
Governmental Activities			
	2012	2011	Change
<u>Assets:</u>			
Current and Other Assets	\$10,986,147	\$11,840,374	(\$854,227)
Capital Assets, Net	54,679,981	55,875,502	(1,195,521)
Total Assets	65,666,128	67,715,876	(2,049,748)
<u>Liabilities:</u>			
Current and Other Liabilities	5,702,281	5,887,598	185,317
Long-Term Liabilities	19,013,103	19,563,229	550,126
Total Liabilities	24,715,384	25,450,827	735,443
			(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

	Table 1 Net Assets (continued)		
	Governmental Activities		
	2012	2011	Change
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	\$37,671,024	\$38,508,718	(\$837,694)
Restricted	3,006,704	3,289,733	(283,029)
Unrestricted	273,016	466,598	(193,582)
Total Net Assets	\$40,950,744	\$42,265,049	(\$1,314,305)

As noted earlier, the overall change to net assets for the fiscal year ended June 30, 2012, was a decrease of 3 percent and not a significant change. The most notable changes from the prior fiscal year are reflected in the decrease in current and other assets which was primarily a decrease in cash and cash equivalents due to cash carryover spending. The decrease in net capital assets and invested in capital assets was generally due to annual depreciation.

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

	Table 2 Change in Net Assets		
	Governmental Activities		
	2012	2011	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$934,095	\$911,838	\$22,257
Operating Grants, Contributions, and Interest	3,495,668	3,806,314	(310,646)
Capital Grants and Contributions	0	12,500	(12,500)
Total Program Revenues	4,429,763	4,730,652	(300,889)
General Revenues			
Property Taxes Levied for General Purposes	4,511,609	4,437,143	74,466
Property Taxes Levied for Classroom Facilities Purposes	49,243	74,658	(25,415)
Property Taxes Levied for Debt Service Purposes	1,026,063	1,003,800	22,263
Payment in Lieu of Taxes	36,757	36,756	1
Grants and Entitlements	9,895,504	10,815,332	(919,828)
Interest	7,141	7,674	(533)
Gifts and Donations	7,645	12,772	(5,127)
Miscellaneous	136,990	143,305	(6,315)
Total General Revenues	15,670,952	16,531,440	(860,488)
Total Revenues	20,100,715	21,262,092	(1,161,377)
			(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2012	2011	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$9,149,553	\$9,325,463	\$175,910
Special	3,109,671	3,661,526	551,855
Vocational	113,243	75,281	(37,962)
Support Services:			
Pupils	856,283	977,159	120,876
Instructional Staff	1,058,030	869,703	(188,327)
Board of Education	69,112	74,290	5,178
Administration	1,372,018	1,388,257	16,239
Fiscal	442,044	447,436	5,392
Operation and Maintenance of Plant	1,698,430	1,892,810	194,380
Pupil Transportation	762,353	781,405	19,052
Central	184,368	174,025	(10,343)
Non-Instructional Services	1,148,520	1,085,666	(62,854)
Extracurricular Activities	600,764	676,202	75,438
Interest and Fiscal Charges	850,631	822,884	(27,747)
Total Expenses	<u>21,415,020</u>	<u>22,252,107</u>	<u>837,087</u>
Decrease in Net Assets	<u>(1,314,305)</u>	<u>(990,015)</u>	<u>(324,290)</u>
Net Assets at Beginning of Year	<u>42,265,049</u>	<u>43,255,064</u>	<u>(990,015)</u>
Net Assets at End of Year	<u><u>\$40,950,744</u></u>	<u><u>\$42,265,049</u></u>	<u><u>(\$1,314,305)</u></u>

There was a decrease in program revenues from the prior fiscal year (6 percent decrease) primarily because the School District received the majority of the funding for the Education Jobs program in fiscal year 2011. General revenues decreased from the prior fiscal year due to the expiration of resources received for the State Fiscal Stabilization program.

Overall, expenses decreased 4 percent from the prior fiscal year with the most significant change reflected in the special instruction program. This decrease is due to the expiration of grant resources. The major program expense, as expected, is for instruction, which accounts for 58 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 12 percent of total expenses.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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	
	2012	2011	2012	2011
Instruction:				
Regular	\$9,149,553	\$9,325,463	\$8,500,571	\$8,122,172
Special	3,109,671	3,661,526	579,074	1,370,483
Vocational	113,243	75,281	106,091	66,192
Support Services:				
Pupils	856,283	977,159	822,133	976,664
Instructional Staff	1,058,030	869,703	1,058,030	869,703
Board of Education	69,112	74,290	69,112	74,290
Administration	1,372,018	1,388,257	1,372,018	1,388,257
Fiscal	442,044	447,436	442,044	447,436
Operation and Maintenance of Plant	1,698,430	1,892,810	1,698,430	1,892,810
Pupil Transportation	762,353	781,405	699,661	722,125
Central	184,368	174,025	184,368	169,025
Non-Instructional Services	1,148,520	1,085,666	165,044	83,577
Extracurricular Activities	600,764	676,202	438,050	515,837
Interest and Fiscal Charges	850,631	822,884	850,631	822,884
Total Expenses	<u>\$21,415,020</u>	<u>\$22,252,107</u>	<u>\$16,985,257</u>	<u>\$17,521,455</u>

As demonstrated again in the above table, general revenues are relied upon to bear the burden of the costs of programs provided by the School District. In fiscal year 2012, general revenues provided for 79 percent (same as prior fiscal year) of the costs of programs provided. 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 81 percent of the special instruction costs are provided for through various grants restricted for special instruction purposes. Over 85 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 27 percent decrease in the fund balance for the General Fund. While both revenues and expenditures remained similar to the prior fiscal year, expenditures exceeded revenues 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, 2012
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 2012, 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 2012, the School District had \$54,679,981 invested in capital assets (net of accumulated depreciation). The majority of the additions included energy conservation renovations in buildings and lighting for the football stadium. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2012, consisted of general obligation bonds, in the amount of \$17,747,694. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 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.

During fiscal year 2012, the Galion City School District, along with the other school districts in the Crawford-Wyandot Health Benefit Plan, realized significant health insurance expenditures to maintain balances in the shared risk account. Rate changes took effect to offset future shortages. In fiscal year 2013, the School District will face another rate increase in health insurance and in dental insurance premiums. Vision insurance is also expected to change.

Fiscal year 2012 was the final year for the Education Jobs Grant (a two-year grant). That funding source provided the School District with approximately \$488,000 of additional funding. The funds available from the Race to the Top Grant (a four-year grant) will be available through fiscal year 2014. Fiscal year 2013 will be the last year the School District will receive funds from the 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

On November 5, 2010, the School District sold HB 264 Energy Conservation 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 the project. These are Qualified School Construction Bonds, which qualify for full interest payment reimbursement from the federal government. The preliminary audit of gas and electric usage in fiscal year 2012, since the energy conservation measures were implemented, yielded over \$60,000 in savings from the prior fiscal year. This amount of savings exceeds the amount of the principal payment.

Galion City School District earned an "Effective" rating on our 2011-2012 Local District Report Card. The High School earned an "Effective" rating, the Middle School earned an "Excellent with Distinction" rating, and the Intermediate Elementary School earned an "Effective" rating. Because the 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 8th grade comprehensive reading program aligned to the new common core standards. Also in fiscal year 2012, the School District piloted a One to One project through Apple. After the test period, a decision was made to implement the program in grades 3 through 9 during the 2013 fiscal year. During the first quarter of the 2013 fiscal year, iPads and MacBooks were passed out to students if signed consent from parents for full or partial use had been received. These projects are major steps in the School District's commitment to developing a 21st 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 Terri Day, Treasurer, Galion City School District, 470 Portland Way North, Galion, Ohio 44833-1796.

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,930,930
Accounts Receivable	14,077
Intergovernmental Receivable	385,550
Inventory Held for Resale	19,834
Materials and Supplies Inventory	4,997
Property Taxes Receivable	6,317,959
Payment in Lieu of Taxes Receivable	36,757
Unamortized Issuance Costs	276,043
Nondepreciable Capital Assets	873,865
Depreciable Capital Assets, Net	53,806,116
Total Assets	65,666,128
 <u>Liabilities:</u>	
Accounts Payable	15,169
Contracts Payable	23,400
Accrued Wages and Benefits Payable	1,608,724
Matured Compensated Absences Payable	182,246
Intergovernmental Payable	480,687
Deferred Revenue	3,296,626
Accrued Interest Payable	95,429
Long-Term Liabilities:	
Due Within One Year	250,487
Due in More Than One Year	18,762,616
Total Liabilities	24,715,384
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	37,671,024
Restricted For:	
Debt Service	631,919
Capital Projects	1,071,814
Food Service	412,874
Classroom Facilities Maintenance	536,229
Other Purposes	353,868
Unrestricted	273,016
Total Net Assets	\$ 40,950,744

See Accompanying Notes to Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 9,149,553	\$ 361,325	\$ 287,657	\$ (8,500,571)
Special	3,109,671	151,347	2,379,250	(579,074)
Vocational	113,243	-	7,152	(106,091)
Support Services:				
Pupils	856,283	575	33,575	(822,133)
Instructional Staff	1,058,030	-	-	(1,058,030)
Board of Education	69,112	-	-	(69,112)
Administration	1,372,018	-	-	(1,372,018)
Fiscal	442,044	-	-	(442,044)
Operation and Maintenance of Plant	1,698,430	-	-	(1,698,430)
Pupil Transportation	762,353	-	62,692	(699,661)
Central	184,368	-	-	(184,368)
Non-Instructional Services	1,148,520	278,279	705,197	(165,044)
Extracurricular Activities	600,764	142,569	20,145	(438,050)
Interest and Fiscal Charges	850,631	-	-	(850,631)
Total Governmental Activities	<u>\$ 21,415,020</u>	<u>\$ 934,095</u>	<u>\$ 3,495,668</u>	<u>(16,985,257)</u>

General Revenues:

Property Taxes Levied for General Purposes	4,511,609
Property Taxes Levied for Classroom Facilities Purposes	49,243
Property Taxes Levied for Debt Service Purposes	1,026,063
Payment in Lieu of Taxes	36,757
Grants and Entitlements not Restricted to Specific Programs	9,895,504
Interest	7,141
Gifts and Donations	7,645
Miscellaneous	136,990
Total General Revenues	<u>15,670,952</u>
Change in Net Assets	(1,314,305)
Net Assets at Beginning of Year	42,265,049
Net Assets at End of Year	<u>\$ 40,950,744</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,234,065	\$ 463,906	\$ 2,231,606	\$ 3,929,577
Accounts Receivable	13,653	-	424	14,077
Interfund Receivable	13,000	-	-	13,000
Intergovernmental Receivable	5,974	-	379,576	385,550
Inventory Held for Resale	-	-	19,834	19,834
Materials and Supplies Inventory	1,199	-	3,798	4,997
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	1,353	-	-	1,353
Property Taxes Receivable	5,079,632	1,152,587	85,740	6,317,959
Payment in Lieu of Taxes Receivable	-	-	36,757	36,757
Total Assets	6,348,876	1,616,493	2,757,735	10,723,104
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	12,693	-	2,476	15,169
Contracts Payable	-	-	23,400	23,400
Accrued Wages and Benefits Payable	1,407,472	-	201,252	1,608,724
Matured Compensated Absences Payable	182,246	-	-	182,246
Interfund Payable	-	-	13,000	13,000
Intergovernmental Payable	426,801	-	53,886	480,687
Deferred Revenue	3,214,709	727,290	450,168	4,392,167
Total Liabilities	5,243,921	727,290	744,182	6,715,393
<u>Fund Balances:</u>				
Nonspendable	2,552	-	3,798	6,350
Restricted	-	889,203	2,114,097	3,003,300
Assigned	205,066	-	-	205,066
Unassigned (Deficit)	897,337	-	(104,342)	792,995
Total Fund Balances	1,104,955	889,203	2,013,553	4,007,711
Total Liabilities and Fund Balances	\$ 6,348,876	\$ 1,616,493	\$ 2,757,735	\$ 10,723,104

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, 2012**

Total Governmental Fund Balances		\$ 4,007,711
<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.		54,679,981
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	11,489	
Intergovernmental Receivable	334,144	
Property Taxes Receivable	749,908	
		1,095,541
Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		276,043
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(95,429)	
General Obligation Bonds Payable	(17,747,694)	
Compensated Absences Payable	(1,265,409)	
		(19,108,532)
Net Assets of Governmental Activities		\$ 40,950,744

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, 2012**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 4,375,301	\$ 998,349	\$ 47,250	\$ 5,420,900
Payment in Lieu of Taxes	-	-	36,757	36,757
Intergovernmental	10,755,725	287,003	2,451,208	13,493,936
Interest	4,185	489	3,299	7,973
Tuition and Fees	514,994	-	-	514,994
Extracurricular Activities	7,300	-	135,904	143,204
Charges for Services	-	-	278,279	278,279
Gifts and Donations	7,645	-	22,800	30,445
Miscellaneous	134,288	-	3,302	137,590
Total Revenues	<u>15,799,438</u>	<u>1,285,841</u>	<u>2,978,799</u>	<u>20,064,078</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,168,097	-	394,938	8,563,035
Special	1,907,939	-	1,078,008	2,985,947
Vocational	95,188	-	2,071	97,259
Support Services:				
Pupils	799,980	-	46,942	846,922
Instructional Staff	699,142	-	354,854	1,053,996
Board of Education	61,077	3,750	4,285	69,112
Administration	1,296,846	-	9,346	1,306,192
Fiscal	398,304	30,182	3,265	431,751
Operation and Maintenance of Plant	1,383,729	-	204,749	1,588,478
Pupil Transportation	671,029	-	33,687	704,716
Central	181,162	-	52	181,214
Non-Instructional Services	4,692	-	964,948	969,640
Extracurricular Activities	455,354	-	106,584	561,938
Capital Outlay	-	-	120,239	120,239
Debt Service:				
Principal Retirement	38,158	416,044	-	454,202
Interest and Fiscal Charges	1,471	791,859	-	793,330
Total Expenditures	<u>16,162,168</u>	<u>1,241,835</u>	<u>3,323,968</u>	<u>20,727,971</u>
Excess of Revenues Over (Under) Expenditures	<u>(362,730)</u>	<u>44,006</u>	<u>(345,169)</u>	<u>(663,893)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	-	36,044	-	36,044
Transfers Out	(36,044)	-	-	(36,044)
Total Other Financing Sources (Uses)	<u>(36,044)</u>	<u>36,044</u>	<u>-</u>	<u>-</u>
Changes in Fund Balances	(398,774)	80,050	(345,169)	(663,893)
Fund Balances at Beginning of Year	<u>1,503,729</u>	<u>809,153</u>	<u>2,358,722</u>	<u>4,671,604</u>
Fund Balances at End of Year	<u>\$ 1,104,955</u>	<u>\$ 889,203</u>	<u>\$ 2,013,553</u>	<u>\$ 4,007,711</u>

**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, 2012**

Changes in Fund Balances - Total Governmental Funds (\$663,893)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay - Nondepreciable Capital Assets	83,603	
Capital Outlay - Depreciable Capital Assets	90,396	
Depreciation	<u>(1,355,876)</u>	(1,181,877)

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

(13,644)

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

Property Taxes	166,015	
Intergovernmental	(126,996)	
Tuition and Fees	<u>(2,382)</u>	36,637

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	416,044	
Capital Leases Payable	<u>38,158</u>	454,202

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	(28,881)	
Annual Accretion on Capital Appreciation Bonds	(29,104)	
Amortization of Premium	<u>13,457</u>	(44,528)

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.

(12,773)

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

111,571

Change in Net Assets of Governmental Activities (\$1,314,305)

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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 4,281,297	\$ 4,225,297	\$ 4,234,389	\$ 9,092
Intergovernmental	10,759,030	10,743,138	10,755,725	12,587
Interest	5,000	3,000	4,185	1,185
Tuition and Fees	456,990	497,340	515,274	17,934
Extracurricular Activities	7,061	7,461	7,300	(161)
Gifts and Donations	5,343	5,343	6,083	740
Miscellaneous	67,725	127,314	123,173	(4,141)
Total Revenues	<u>15,582,446</u>	<u>15,608,893</u>	<u>15,646,129</u>	<u>37,236</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	14,105,457	8,434,447	8,160,690	273,757
Special	1,146,334	1,990,488	1,956,315	34,173
Vocational	17,858	90,029	88,791	1,238
Support Services:				
Pupils	5,796	701,343	859,149	(157,806)
Instructional Staff	2,116	602,340	716,202	(113,862)
Board of Education	13,073	94,929	99,178	(4,249)
Administration	12,497	1,252,983	1,306,468	(53,485)
Fiscal	277,651	394,971	409,761	(14,790)
Operation and Maintenance of Plant	604,935	1,411,101	1,410,721	380
Pupil Transportation	116,091	768,995	740,303	28,692
Central	899	202,408	183,538	18,870
Non-Instructional Services	-	-	3,550	(3,550)
Extracurricular Activities	139,398	578,883	448,415	130,468
Total Expenditures	<u>16,442,105</u>	<u>16,522,917</u>	<u>16,383,081</u>	<u>139,836</u>
Excess of Revenues				
Under Expenditures	<u>(859,659)</u>	<u>(914,024)</u>	<u>(736,952)</u>	<u>177,072</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	5,000	5,000	8,648	3,648
Other Financing Uses	-	(3,689)	(4,021)	(332)
Advances In	120,000	288,300	236,300	(52,000)
Advances Out	(120,000)	(202,000)	(161,000)	41,000
Transfers Out	-	(36,044)	(36,044)	-
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>51,567</u>	<u>43,883</u>	<u>(7,684)</u>
Changes in Fund Balance	(854,659)	(862,457)	(693,069)	169,388
Fund Balance at Beginning of Year	1,588,084	1,588,084	1,588,084	-
Prior Year Encumbrances Appropriated	134,633	134,633	134,633	-
Fund Balance at End of Year	<u>\$ 868,058</u>	<u>\$ 860,260</u>	<u>\$ 1,029,648</u>	<u>\$ 169,388</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 258,793	\$ 59,488
<u>Liabilities:</u>		
Undistributed Assets	-	\$ 19,337
Due to Students	-	40,151
Total Liabilities	-	\$ 59,488
<u>Net Assets:</u>		
Held in Trust for Scholarships	242,903	
Endowment	15,890	
Total Net Assets	\$ 258,793	

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, 2012**

Additions:

Interest	\$ 1,520
Gifts and Donations	5,890
Total Additions	<u>7,410</u>

Deductions:

Non-Instructional Services	<u>5,300</u>
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Change in Net Assets 2,110

Net Assets at Beginning of Year 256,683

Net Assets at End of Year \$ 258,793

See Accompanying Notes to the Basic Financial Statements

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 269th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-nine classified employees, one hundred twenty-nine certified teaching personnel, and thirteen administrative employees who provide services to 1,907 students and other community members. The School District currently operates two elementary schools, a middle school, and a high school.

Reporting Entity

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

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

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

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement 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, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Investments

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

During fiscal year 2012, 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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

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 2012 was \$4,185, which includes \$1,431 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. Unclaimed monies that have a legal restriction on their use are reported as restricted.

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, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (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 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, 2012
(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 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, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (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, 2012
(Continued)**

Note 3 - Accountability

At June 30, 2012, the following funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Race to the Top	\$2,065
Title VI-B	44,921
Title I	40,128
Title II-A	17,228

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 4 - Budgetary Basis of Accounting

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

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 4 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance	
GAAP Basis	(\$398,774)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received in Cash FY 2012	1,739,889
Accrued FY 2012 Not Yet Received in Cash	(1,884,550)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(2,048,007)
Accrued FY 2012, Not Yet Paid in Cash	2,029,212
Materials and Supplies Inventory	(369)
Advances In	236,300
Advances Out	(161,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(205,770)
Budget Basis	<u><u>(\$693,069)</u></u>

Note 5 - 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 5 - Deposits and Investments (continued)

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

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

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

Investments

As of June 30, 2012, the fair value of funds on deposit with STAR Ohio was \$266,556. The School District's investments in STAR Ohio have an average maturity of 52.5 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 6 - Receivables

Receivables at June 30, 2012, 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	
Ohio Department of Job and Family Services	\$5,974
Other Governmental Funds	
Education Jobs	29,551
Race to the Top	34,633
Title VI-B	125,705
Title II-D	1,108
Title I	180,227
Preschool	1,937
REAP	6,415
Total Other Governmental Funds	379,576
Total Intergovernmental Receivables	\$385,550

Note 7 - 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 and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 7 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Crawford, Morrow, and Richland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, 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, 2012, was \$1,876,412 in the General Fund, \$4,547 in the Classroom Facilities special revenue fund, and \$425,297 in the Bond Retirement debt service fund. 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.

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 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$174,551,830	98.69%	\$174,667,700	98.61%
Public Utility	2,325,660	1.31	2,453,810	1.39
Total Assessed Value	\$176,877,490	100.00%	\$177,121,510	100.00%
Tax rate per \$1,000 of assessed valuation	\$59.33		\$59.33	

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 8 - 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 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$873,865	\$0	\$0	\$873,865
Construction in Progress	482,442	83,603	(566,045)	0
Total Nondepreciable Capital Assets	<u>1,356,307</u>	<u>83,603</u>	<u>(566,045)</u>	<u>873,865</u>
Depreciable Capital Assets				
Land Improvements	640,524	71,868	(64,200)	648,192
Buildings and Building Improvements	57,006,587	566,045	0	57,572,632
Furniture, Fixtures, and Equipment	1,357,696	18,528	0	1,376,224
Vehicles	1,272,994	0	0	1,272,994
Total Depreciable Capital Assets	<u>60,277,801</u>	<u>656,441</u>	<u>(64,200)</u>	<u>60,870,042</u>
Less Accumulated Depreciation				
Land Improvements	(332,387)	(24,029)	50,556	(305,860)
Buildings and Building Improvements	(4,240,481)	(1,143,401)	0	(5,383,882)
Furniture, Fixtures, and Equipment	(515,396)	(113,827)	0	(629,223)
Vehicles	(670,342)	(74,619)	0	(744,961)
Total Accumulated Depreciation	<u>(5,758,606)</u>	<u>(1,355,876)</u>	<u>50,556</u>	<u>(7,063,926)</u>
Depreciable Capital Assets, Net	<u>54,519,195</u>	<u>(699,435)</u>	<u>(13,644)</u>	<u>53,806,116</u>
Governmental Activities Capital Assets, Net	<u>\$55,875,502</u>	<u>(\$615,832)</u>	<u>(\$579,689)</u>	<u>\$54,679,981</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 9 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$655,033
Special	121,346
Vocational	15,984
Support Services:	
Pupils	14,330
Instructional Staff	1,945
Administration	42,378
Fiscal	4,967
Operation and Maintenance of Plant	189,833
Pupil Transportation	72,994
Central	548
Non-Instructional Services	183,869
Extracurricular Activities	52,649
Total Depreciation Expense	<u>\$1,355,876</u>

Note 10 - Interfund Receivables/Payables

At June 30, 2012, the General Fund had an interfund receivable, in the amount of \$13,000, from other governmental funds for short-term loans made to those funds. This amount is expected to be repaid within one year.

Note 11 - 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 2012, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

Buildings and Contents - replacement cost	\$65,056,464
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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 11 - Risk Management (continued)

For fiscal year 2012, 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 12 - 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.

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.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 12 - Defined Benefit Pension Plans (continued)

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, 2012, 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 \$1,054,891 and \$7,411 for the fiscal year ended June 30, 2012, \$1,131,979 and \$7,247 for the fiscal year ended June 30, 2011, and \$1,125,527 and \$7,307 for the fiscal year ended June 30, 2010. For fiscal year 2012, 84 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 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$66 made by the School District and \$47 made by the plan members. In addition, member contributions of \$5,293 were made for fiscal year 2012 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 under employers/audit resources.

**GALION CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 12 - Defined Benefit Pension Plans (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, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 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, 2012, 2011, and 2010 was \$238,034, \$242,677, and \$256,970, respectively. For fiscal year 2012, 30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - 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.

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 2012, 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, 2012, 2011, and 2010 was \$81,721, \$88,143, and \$88,079, respectively. For fiscal year 2012, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**GALION CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 13 - 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, Medicare Advantage, 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 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 2012, .55 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 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$27,450 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, 2012, 2011, and 2010 was \$10,309, \$29,384, and \$9,249, respectively. For fiscal year 2012, 30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$14,057, \$15,617, and \$15,281, respectively. For fiscal year 2012, 30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 14 - 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 14 - Other Employee Benefits (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 15 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	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%	1,685,000	0	275,000	1,410,000	0
Capital Appreciation Bonds 11.42%	110,000	0	0	110,000	110,000
Accretion on Capital Appreciation Bonds	137,843	29,104	0	166,947	0
Premium	207,046	0	10,141	196,905	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%	185,000	0	105,000	80,000	20,000
Premium	102,158	0	3,316	98,842	0
Energy Conservation Bonds FY11					
Serial Bonds 4.25%	566,044	0	36,044	530,000	40,000
Total General Obligation Bonds	18,148,091	29,104	429,501	17,747,694	170,000
Compensated Absences	1,376,980	0	111,571	1,265,409	80,487
Capital Leases	38,158	0	38,158	0	0
Total Governmental Activities Long-Term Obligations	<u>\$19,563,229</u>	<u>\$29,104</u>	<u>\$579,230</u>	<u>\$19,013,103</u>	<u>\$250,487</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 15 - 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, 2012
(Continued)**

Note 15 - 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 2012, \$29,104 was accreted on the capital appreciation bonds for a total outstanding bond value of the capital appreciation bonds of \$276,947 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 \$150,000, 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 \$170,000, 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, 2012
(Continued)**

Note 15 - 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 \$235,000, 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 \$315,000, 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 \$430,000, 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.

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 will be paid from the General Fund.

The School District's overall debt margin was (\$661,359) with an unvoted debt margin of \$174,827 at June 30, 2012. 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, 2012
(Continued)**

Note 15 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2012, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
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	445,000	45,000	0	728,720	1,218,720
2018-2022	190,000	2,980,000	0	3,224,936	6,394,936
2023-2027	140,000	4,875,000	0	2,212,098	7,227,098
2028-2032	0	7,255,000	0	835,961	8,090,961
	<u>\$2,020,000</u>	<u>\$15,155,000</u>	<u>\$110,000</u>	<u>\$10,251,539</u>	<u>\$27,536,539</u>

Note 16 - 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 2012 were \$38,158.

	Governmental Activities
Equipment under Capital Lease	\$162,952
Less Accumulated Depreciation	(108,190)
Total June 30, 2012	<u>\$54,762</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 17 - 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:				
Materials and Supplies Inventory	\$1,199	\$0	\$3,798	\$4,997
Unclaimed Monies	1,353	0	0	1,353
Total Nonspendable	<u>2,552</u>	<u>0</u>	<u>3,798</u>	<u>6,350</u>
Restricted for:				
Athletics and Music	0	0	52,687	52,687
Building Construction	0	0	806,125	806,125
Debt Retirement	0	889,203	0	889,203
Food Service Operations	0	0	409,076	409,076
Permanent Improvements	0	0	265,689	265,689
Regular Instruction	0	0	50,912	50,912
School Facilities Maintenance	0	0	526,369	526,369
Special Instruction	0	0	3,239	3,239
Total Restricted	<u>0</u>	<u>889,203</u>	<u>2,114,097</u>	<u>3,003,300</u>
Assigned for:				
Educational Activities	23,013	0	0	23,013
Extracurricular Activities	9,911	0	0	9,911
Unpaid Obligations	172,142	0	0	172,142
Total Assigned	<u>205,066</u>	<u>0</u>	<u>0</u>	<u>205,066</u>
Unassigned (Deficit)	897,337	0	(104,342)	792,995
Total Fund Balance	<u>\$1,104,955</u>	<u>\$889,203</u>	<u>\$2,013,553</u>	<u>\$4,007,711</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 18 - Set Asides

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

	Capital Improvements
Balance June 30, 2011	\$0
Current Year Set Aside Requirement	335,559
Qualifying Expenditures	(128,500)
Current Year Offsets	(207,059)
Balance June 30, 2012	<u>\$0</u>

Note 19 - Interfund Transfers

During fiscal year 2012, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$36,044, to move receipts as debt payments came due.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$15,890 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$242,903 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, 2012
(Continued)**

Note 21 - Jointly Governed Organizations

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

The School District is a participant in the North Central Ohio Computer Cooperative/Heartland Council of Governments (NCOCC), which is a computer consortium. NCOCC is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NCOCC consists of the superintendent from each member school district. During fiscal year 2012, the School District paid \$106,114 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 22 - Insurance Pools

A. Ohio School Plan

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 22 - 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 23 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

B. Litigation

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

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 113,731	\$ 113,731
Cash Assistance:			
School Breakfast Program	10.553	221,025	221,025
National School Lunch Program	10.555	414,349	414,349
Special Milk Program for Children	10.556	626	626
Cash Assistance Subtotal:		<u>636,000</u>	<u>636,000</u>
Total Child Nutrition Cluster		<u>749,731</u>	<u>749,731</u>
Total U.S. Department of Agriculture		<u>749,731</u>	<u>749,731</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	435,760	447,431
Special Education - Preschool Grants	84.173	10,968	10,963
ARRA - Special Education Grants to States, Recovery Act	84.391	50,966	31,813
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	-	12
Total Special Education Cluster		<u>497,694</u>	<u>490,219</u>
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	683,185	677,404
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	54,375	56,272
Total Title I Cluster		<u>737,560</u>	<u>733,676</u>
Improving Teacher Quality State Grants	84.367	126,150	127,536
Education Technology State Cluster			
Education Technology State Grants	84.318	3,617	3,662
ARRA- Education Technology State Grants, Recovery Act	84.386	-	763
Total Education Technology Grant Cluster		<u>3,617</u>	<u>4,425</u>
ARRA- School Improvement Grants, Recovery Act	84.388	34,696	30,567
Rural Education	84.358	31,717	30,579
Safe and Drug-Free Schools and Communities State Grants	84.186	33,575	33,575
ARRA- State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395	128,424	125,042
Education Jobs Fund	84.410	286,172	272,008
Total U.S. Department of Education		<u>1,879,605</u>	<u>1,847,627</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 2,629,336</u>	<u>\$ 2,597,358</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

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 Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2013. 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 12, 2013



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, 2012. 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.

In our opinion, 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, 2012.

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 opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the 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 12, 2013

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<p>Education Jobs Fund – CFDA #84.410</p> <p><u>Title I Cluster</u> CFDA #84.010 – Title I Grants to Local Educational Agencies CFDA #84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act</p> <p><u>Special Education Cluster</u> CFDA #84.027 – Special Education Grants to States CFDA #84.391 – ARRA – Special Education Grants to States, Recovery Act, CFDA #84.173 – Special Education Preschool Grants CFDA #84.392 – ARRA – Special Education Preschool Grants, Recovery Act</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDING
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Questioned Costs/Material Weakness – Allowable Costs/Cost Principles – Title VI-B Grant	Yes	

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Dave Yost • Auditor of State

GALION CITY SCHOOL DISTRICT

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2013**