



**Auditor of State  
Betty Montgomery**



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
General Purpose External Financial Statements	
Managements Discussion and Analysis .....	3
Basic Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	19
Statement of Fiduciary Net Assets – Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	21
Notes to the Basic Financial Statements .....	23
Schedule of Federal Awards Receipts and Expenditures .....	49
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	50
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	53
Schedule of Findings.....	55

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galion City School District, Crawford County, Ohio (the District), as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2004, and the respective changes in financial position, 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 December 6, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 6, 2004

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The discussion and analysis of the Galion City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$652,367 which represents a 15.52% increase from 2003.
- General revenues accounted for \$16,995,044 in revenue or 84.80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,046,832 or 15.20% of total revenues of \$20,041,876.
- The District had \$19,389,509 in expenses related to governmental activities; only \$3,046,832 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,995,044 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building improvement fund. The general fund had \$16,203,115 in revenues and \$16,379,651 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance decreased \$175,132 from \$1,665,423 to \$1,490,291.
- The debt service fund had \$16,284,991 in revenues and other financing sources and \$15,488,324 in expenditures. During fiscal 2004, the debt service fund's fund balance increased to \$796,667.
- The building improvement fund had \$16,174,892 in revenues and other financing sources and \$401,058 in expenditures. During fiscal 2004, the building improvement fund's fund balance increased to \$15,773,834.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and building improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building improvement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2004 and 2003.

	<b>Net Assets</b>	
	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 25,776,799	\$ 8,497,882
Capital assets	<u>3,161,409</u>	<u>3,017,432</u>
Total assets	<u>28,938,208</u>	<u>11,515,314</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,469,571	6,109,637
Long-term liabilities	<u>17,612,933</u>	<u>1,202,340</u>
Total liabilities	<u>24,082,504</u>	<u>7,311,977</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,741,528	2,942,904
Restricted	1,363,835	160,601
Unrestricted	<u>750,341</u>	<u>1,099,832</u>
Total net assets	<u>\$ 4,855,704</u>	<u>\$ 4,203,337</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$4,855,704. Of this total, \$750,341 is unrestricted in use.

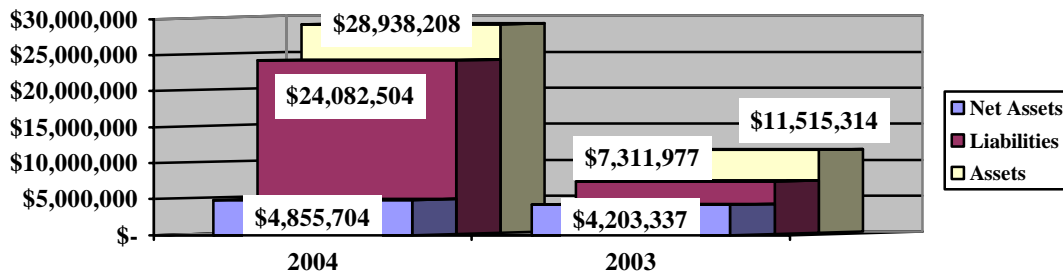
**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

At year-end, capital assets represented 10.9% of total assets. Capital assets include land, and improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$2,741,528. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,363,835, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$750,341 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2004 and 2003:

**Change in Net Assets**

	Governmental Activities 2004	Governmental Activities 2003
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,001,897	\$ 945,171
Operating grants and contributions	1,811,699	1,456,910
Capital grants and contributions	233,236	279,730
General revenues:		
Property taxes	7,595,027	6,587,632
Grants and entitlements	9,282,224	8,739,307
Investment earnings	49,650	57,411
Other	68,143	50,662
<b>Total revenues</b>	<b>\$ 20,041,876</b>	<b>\$ 18,116,823</b>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,136,380	\$ 7,574,072
Special	2,415,638	2,084,575
Vocational	254,298	251,249
Other	595,463	461,684
Support services:		
Pupil	633,529	648,200
Instructional staff	979,123	940,729
Board of education	83,478	63,801
Administration	1,704,884	1,579,571
Fiscal	420,709	398,088
Operations and maintenance	1,458,378	1,466,455
Pupil transportation	644,453	660,287
Central	298,335	276,585
Food service operations	676,197	629,120
Operations of non-instructional services	11,602	25,838
Extracurricular activities	686,050	687,461
Intergovernmental pass through	56,640	90,432
Interest and fiscal charges	<u>334,352</u>	<u>4,385</u>
Total expenses	<u>19,389,509</u>	<u>17,842,532</u>
Increase in net assets	<u>\$ 652,367</u>	<u>\$ 274,291</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$652,367. Total governmental expenses of \$19,389,509 were offset by program revenues of \$3,046,832 and general revenues of \$16,995,044. Program revenues supported 15.71% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84.21% of total governmental revenue.

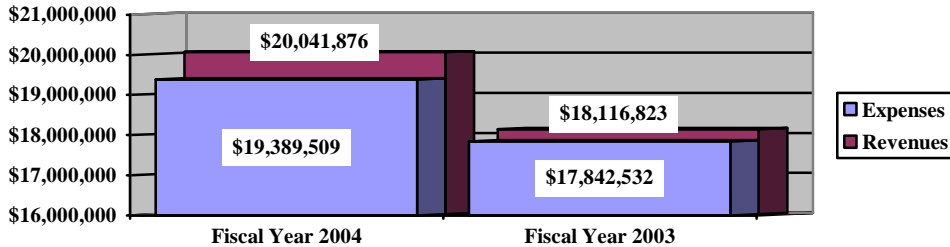
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,401,779 or 58.80% of total governmental expenses for fiscal 2004.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

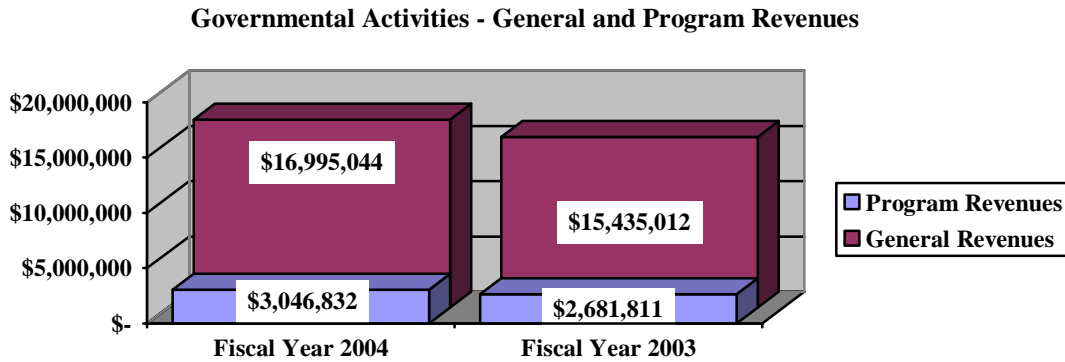
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,136,380	\$ 7,226,678	\$ 7,574,072	\$ 6,791,964
Special	2,415,638	1,654,966	2,084,575	1,521,310
Vocational	254,298	254,298	251,249	251,249
Other	595,463	595,463	461,684	459,264
Support services:				
Pupil	633,529	620,363	648,200	644,575
Instructional staff	979,123	739,584	940,729	732,398
Board of education	83,478	83,478	63,801	63,801
Administration	1,704,884	1,642,417	1,579,571	1,547,662
Fiscal	420,709	420,709	398,088	395,688
Operations and maintenance	1,458,378	1,393,625	1,466,455	1,250,249
Pupil transportation	644,453	644,347	660,287	659,966
Central	298,335	211,183	276,585	269,029
Food service operations	676,197	44,916	629,120	29,382
Operations of non-instructional services	11,602	(24,522)	25,838	(1,093)
Extracurricular activities	686,050	527,265	687,461	527,625
Intergovernmental pass-through	56,640	(26,445)	90,432	13,267
Interest and fiscal charges	334,352	334,352	4,385	4,385
<b>Total expenses</b>	<b>\$ 19,389,509</b>	<b>\$ 16,342,677</b>	<b>\$ 17,842,532</b>	<b>\$ 15,160,721</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 85.35% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.80%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$18,628,288, which is higher than last year's total of \$1,946,834. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>
General	\$ 1,490,291	\$ 1,665,423	\$ (175,132)
Debt Service	796,667	-	796,667
Building Improvement	15,773,834	-	15,773,834
Other Governmental	<u>567,496</u>	<u>281,411</u>	<u>286,085</u>
Total	<u>\$18,628,288</u>	<u>\$ 1,946,834</u>	<u>\$ 16,681,454</u>

**General Fund**

The District's general fund balance decreased \$175,132. The decrease in fund balance can be attributed to several items related to increasing revenues and increased expenditures. On March 3, 2003 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,510,640	\$ 6,439,946	\$ 70,694	1.10 %
Tuition	439,638	377,860	61,778	16.35 %
Earnings on investments	40,066	50,006	(9,940)	(19.88) %
Intergovernmental	9,097,477	8,739,307	358,170	4.10 %
Other revenues	<u>115,294</u>	<u>109,100</u>	<u>6,194</u>	5.68 %
Total	<u>\$ 16,203,115</u>	<u>\$ 15,716,219</u>	<u>\$ 486,896</u>	3.10 %
<b><u>Expenditures</u></b>				
Instruction	\$ 10,145,058	\$ 9,326,758	\$ 818,300	8.77 %
Support services	5,624,216	5,825,607	(201,391)	(3.46) %
Non-instructional services	3,167	21,149	(17,982)	(85.03) %
Extracurricular activities	491,633	471,884	19,749	4.19 %
Facilities acquisition and construction	<u>14,954</u>	<u>228,906</u>	<u>(213,952)</u>	(93.47) %
Total	<u>\$ 16,279,028</u>	<u>\$ 15,874,304</u>	<u>\$ 404,724</u>	2.55 %

***Debt Service Fund***

The debt service fund had \$16,284,991 in revenues and other financing sources and \$15,488,324 in expenditures. During fiscal 2004, the debt service fund's fund balance increased to \$796,667.

***Building Improvement Fund***

The building improvement fund had \$16,174,892 in revenues and other financing sources and \$401,058 in expenditures. During fiscal 2004, the building improvement fund's fund balance increased to \$15,773,834.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$16,013,509. Actual revenues and other financing sources for fiscal 2004 was \$16,292,554. This represents a \$279,045 increase over final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) of \$16,982,939 were decreased to \$16,982,937. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$16,855,947, which was \$126,990 less than the final budget appropriations. The decrease in appropriations was due to conservative budgeting in the original appropriations measure.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the District had \$3,161,409 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 895,355	\$ 530,660
Land improvements	202,704	241,473
Building and improvements	1,486,139	1,563,048
Furniture and equipment	304,805	334,678
Vehicles	272,406	347,573
Total	\$ 3,161,409	\$ 3,017,432

The overall increase in capital assets of \$143,977 is due to capital outlays of \$467,930 exceeding depreciation expense of \$320,786 and disposals of \$3,167 (net of accumulated depreciation) in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2004, the District had \$16,158,275 in general obligation bonds outstanding. Of this total, \$690,358 is due within one year and \$15,467,917 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	Governmental	Governmental
	Activities	Activities
	2004	2003
General obligation bonds:		
Elevator construction	\$ 21,685	\$ 35,209
Boiler replacement bonds	33,501	39,319
School improvement bonds	16,103,089	-
Total	\$ 16,158,275	\$ 74,528

At June 30, 2004, the District's overall legal debt margin was \$2,770,385, and an unvoted debt margin of \$201,094.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Current Financial Related Activities**

The Galion City School District is embarking on very exciting times. In August of 2003, a 6.84 mill bond issue was passed to construct a new High School through the Ohio School Facilities Commission (OSFC) Expedited Local Partnership Plan (ELPP) program. The OSFC's state share percentage is 76%, with the District contributing 24% of the funding for the total project. It is anticipated that the District will receive funding from the OSFC for the remaining phases of construction in fiscal year 2004/05, moving the District into a CFAP status. This project is the first phase of a total district-wide building replacement plan that includes construction of a High School, a Middle School and two Elementary Schools, replacing the existing High School, Middle School and four Elementary Schools. This building project is anticipated to boost the local economy in a positive manner, along with the U.S. Route 30 four-lane expansion project through Crawford County, adjacent to the District boundaries.

Even though the taxpayers of the District generously passed a 7.73 mill 5-year operating levy in August of 2001, collectible for calendar years 2002 through 2006, the District is starting to see expenditures exceeding revenue on the five-year forecast. The District, like other districts in the area and the State, is struggling with the overall lagging economy.

Declining enrollments over the past ten years have been a concern and are being monitored closely. It is anticipated that the District will need to modify its educational delivery system to maximize personnel in the most efficient manner. Any additional revenues should not be treated as a windfall to expand programs but as an opportunity to extend the life of current programs.

The District is also facing future challenges in the area of state funding. The State of Ohio was found by the Ohio Supreme Court in March of 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

Concerns regarding the effects of House Bill 95, passed in June 2003, on the District finances are facing the Board and Administration also. House Bill 95 eliminated three-year averaging of average daily membership (ADM) counts, causing the District to feel the impact of losing approximately 50 students in fiscal year 2003. It is difficult to determine at this time the true impact to the District of the increased phase-out of the Personal Tangible Inventory Tax, since these returns are private and little information is available through the State Department of Taxation. The District does receive approximately \$115,000 annually from the \$10,000 exempt business tax which will be phased out over the next ten years.

Many new experiences and challenges are on the District's horizon. It is very important that the Board and Administration continue to carefully and prudently plan in order to provide the resources necessary to meet the needs of the students of Galion into the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Julie Henke, Treasurer, Galion City School District, 200 W. Church Street, Galion, Ohio 44833-1796.



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

		<u>Governmental Activities</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	2,472,549
Investments . . . . .		15,704,378
Receivables:		
Taxes . . . . .		6,878,086
Accounts . . . . .		29,366
Intergovernmental . . . . .		298,015
Accrued interest . . . . .		48,801
Prepayments . . . . .		44,215
Materials and supplies inventory . . . . .		25,178
Unamortized bond issuance costs . . . . .		276,211
Capital assets:		
Land . . . . .		895,355
Depreciable capital assets, net . . . . .		2,266,054
Capital assets, net. . . . .		<u>3,161,409</u>
 Total assets. . . . .		 <u>28,938,208</u>
<b>Liabilities:</b>		
Accounts payable. . . . .		77,402
Accrued wages and benefits . . . . .		1,763,695
Pension obligation payable. . . . .		407,273
Intergovernmental payable . . . . .		121,766
Deferred revenue . . . . .		4,042,773
Accrued interest payable . . . . .		56,662
Long-term liabilities:		
Due within one year. . . . .		821,593
Due within more than one year . . . . .		16,791,340
 Total liabilities . . . . .		 <u>24,082,504</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt. . . . .		2,741,528
Restricted for:		
Capital projects . . . . .		226,867
Debt service. . . . .		801,378
Other purposes . . . . .		335,590
Unrestricted. . . . .		<u>750,341</u>
 Total net assets . . . . .	 <u>\$</u>	 <u>4,855,704</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 8,136,380	\$ 503,885	\$ 307,456	\$ 98,361	\$ (7,226,678)
Special . . . . .	2,415,638	-	760,672	-	(1,654,966)
Vocational . . . . .	254,298	-	-	-	(254,298)
Other . . . . .	595,463	-	-	-	(595,463)
Support services:					
Pupil . . . . .	633,529	-	13,166	-	(620,363)
Instructional staff . . . . .	979,123	-	239,539	-	(739,584)
Board of education . . . . .	83,478	-	-	-	(83,478)
Administration . . . . .	1,704,884	-	62,467	-	(1,642,417)
Fiscal . . . . .	420,709	-	-	-	(420,709)
Operations and maintenance . . . . .	1,458,378	8,988	-	55,765	(1,393,625)
Pupil transportation . . . . .	644,453	-	106	-	(644,347)
Central . . . . .	298,335	-	8,042	79,110	(211,183)
Operation of non-instructional services:					
Food service operations . . . . .	676,197	327,950	303,331	-	(44,916)
Other non-instructional services . . . . .	11,602	2,289	33,835	-	24,522
Extracurricular activities . . . . .	686,050	158,785	-	-	(527,265)
Intergovernmental pass-through . . . . .	56,640	-	83,085	-	26,445
Interest and fiscal charges . . . . .	334,352	-	-	-	(334,352)
<b>Total governmental activities . . . . .</b>	<b>\$ 19,389,509</b>	<b>\$ 1,001,897</b>	<b>\$ 1,811,699</b>	<b>\$ 233,236</b>	<b>(16,342,677)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					6,527,818
Debt service . . . . .					1,067,209
Grants and entitlements not restricted to specific programs . . . . .					
Investment earnings . . . . .					9,282,224
Miscellaneous . . . . .					49,650
					68,143
Total general revenues . . . . .					16,995,044
Change in net assets . . . . .					652,367
Net assets at beginning of year . . . . .					4,203,337
Net assets at end of year . . . . .					\$ 4,855,704

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<b>General</b>	<b>Debt Service</b>	<b>Building Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 1,368,389	\$ 383,924	\$ 76,239	\$ 633,617	\$ 2,462,169
Investments . . . . .	-	-	15,704,378		15,704,378
Receivables:					
Taxes . . . . .	5,985,179	892,907	-	-	6,878,086
Accounts . . . . .	2,044	-	-	27,322	29,366
Intergovernmental . . . . .	13,369	-	-	284,646	298,015
Accrued interest . . . . .	13,765	-	35,036	-	48,801
Interfund loans . . . . .	98,500	-	-	-	98,500
Prepayments . . . . .	44,215	-	-	-	44,215
Materials and supplies inventory . . . . .	14,505	-	-	10,673	25,178
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	10,380	-	-	-	10,380
<b>Total assets . . . . .</b>	<b><u>\$ 7,550,346</u></b>	<b><u>\$ 1,276,831</u></b>	<b><u>\$ 15,815,653</u></b>	<b><u>\$ 956,258</u></b>	<b><u>\$ 25,599,088</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 54,648	\$ -	\$ 6,783	\$ 15,971	\$ 77,402
Accrued wages and benefits . . . . .	1,596,082	-	-	167,613	1,763,695
Compensated absences payable . . . . .	-	-	-	28,939	28,939
Pension obligation payable . . . . .	247,184	-	-	17,752	264,936
Intergovernmental payable . . . . .	115,667	-	-	6,099	121,766
Interfund loan payable . . . . .	-	-	-	98,500	98,500
Deferred revenue . . . . .	4,046,474	480,164	35,036	53,888	4,615,562
<b>Total liabilities . . . . .</b>	<b><u>6,060,055</u></b>	<b><u>480,164</u></b>	<b><u>41,819</u></b>	<b><u>388,762</u></b>	<b><u>6,970,800</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	276,565	-	124,945	87,429	488,939
Reserved for materials and supplies inventory . . . . .	14,505	-	-	10,673	25,178
Reserved for prepayments . . . . .	44,215	-	-	-	44,215
Reserved for property tax unavailable for appropriation . . . . .	1,951,663	412,743	-	-	2,364,406
Reserved for debt service . . . . .	-	383,924	-	-	383,924
Reserved for bus purchase allowance . . . . .	10,380	-	-	-	10,380
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	(807,037)	-	-	-	(807,037)
Special revenue funds . . . . .	-	-	-	246,606	246,606
Capital projects funds . . . . .	-	-	15,648,889	222,788	15,871,677
<b>Total fund balances . . . . .</b>	<b><u>1,490,291</u></b>	<b><u>796,667</u></b>	<b><u>15,773,834</u></b>	<b><u>567,496</u></b>	<b><u>18,628,288</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 7,550,346</u></b>	<b><u>\$ 1,276,831</u></b>	<b><u>\$ 15,815,653</u></b>	<b><u>\$ 956,258</u></b>	<b><u>\$ 25,599,088</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$ 18,628,288
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,161,409
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 470,908	
Intergovernmental revenue	53,888	
Accrued interest	47,993	
Total		572,789
Unamortized premiums on bond issuance is not recognized in the funds.		(278,033)
Unamortized bond issuance costs are not recognized in the funds.		276,211
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,147,686	
Pension obligation payable	142,337	
General obligation bonds payable	16,124,774	
Boiler replacement bonds payable	33,501	
Accrued interest payable	56,662	
Total		(17,504,960)
<b>Net assets of governmental activities</b>		<b>\$ 4,855,704</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 6,510,640	\$ 992,344	\$ -	\$ -	\$ 7,502,984
Tuition. . . . .	439,638	-	-	-	439,638
Charges for services. . . . .	-	-	-	327,950	327,950
Earnings on investments. . . . .	40,066	1,531	74,892	1,110	117,599
Extracurricular. . . . .	-	-	-	146,042	146,042
Classroom materials and fees. . . . .	58,685	-	-	1,037	59,722
Other local revenues. . . . .	56,609	-	-	152,802	209,411
Other revenue . . . . .	-	-	-	190,086	190,086
Intergovernmental - State. . . . .	9,093,819	74,819	-	323,999	9,492,637
Intergovernmental - Federal . . . . .	3,658	-	-	1,408,286	1,411,944
Total revenue . . . . .	<u>16,203,115</u>	<u>1,068,694</u>	<u>74,892</u>	<u>2,551,312</u>	<u>19,898,013</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	7,580,943	-	-	349,279	7,930,222
Special. . . . .	1,719,870	-	-	685,648	2,405,518
Vocational. . . . .	248,782	-	-	12,938	261,720
Other. . . . .	595,463	-	-	-	595,463
Support services:					
Pupil. . . . .	620,604	-	-	11,380	631,984
Instructional staff . . . . .	726,951	-	-	229,254	956,205
Board of education . . . . .	83,296	-	-	-	83,296
Administration. . . . .	1,627,568	-	-	28,588	1,656,156
Fiscal . . . . .	372,072	15,338	21,106	-	408,516
Operations and maintenance. . . . .	1,392,166	-	-	24,911	1,417,077
Pupil transportation . . . . .	560,700	-	-	66	560,766
Central. . . . .	240,859	-	-	52,161	293,020
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	659,183	659,183
Other non-instructional services . . . . .	3,167	-	-	31,283	34,450
Extracurricular activities. . . . .	491,633	-	-	155,383	647,016
Intergovernmental pass-through . . . . .	-	-	-	56,640	56,640
Facilities acquisition and construction . . . . .	14,954	-	379,952	46,073	440,979
Debt service:					
Principal retirement . . . . .	-	14,919,342	-	-	14,919,342
Interest and fiscal charges . . . . .	-	274,075	-	-	274,075
Bond issuance costs . . . . .	-	279,569	-	-	279,569
Total expenditures . . . . .	<u>16,279,028</u>	<u>15,488,324</u>	<u>401,058</u>	<u>2,342,787</u>	<u>34,511,197</u>
Excess of revenues over (under) expenditures.	<u>(75,913)</u>	<u>(14,419,630)</u>	<u>(326,166)</u>	<u>208,525</u>	<u>(14,613,184)</u>
<b>Other financing sources (uses):</b>					
Accrued interest on sale of bonds . . . . .	-	12,891	-	-	12,891
Transfers in. . . . .	-	22,838	-	77,785	100,623
Transfers (out) . . . . .	(100,623)	-	-	-	(100,623)
Proceeds from sale of notes . . . . .	-	-	14,900,000	-	14,900,000
Proceeds from sale of bonds. . . . .	-	14,900,000	1,200,000	-	16,100,000
Premium on sale of bonds . . . . .	-	280,568	-	-	280,568
Total other financing sources (uses) . . . . .	<u>(100,623)</u>	<u>15,216,297</u>	<u>16,100,000</u>	<u>77,785</u>	<u>31,293,459</u>
Net change in fund balances . . . . .	<u>(176,536)</u>	<u>796,667</u>	<u>15,773,834</u>	<u>286,310</u>	<u>16,680,275</u>
<b>Fund balances at beginning of year . . . . .</b>	<u>1,665,423</u>	<u>-</u>	<u>-</u>	<u>281,411</u>	<u>1,946,834</u>
<b>Increase (decrease) in reserve for inventory.</b>	<u>1,404</u>	<u>-</u>	<u>-</u>	<u>(225)</u>	<u>1,179</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,490,291</u>	<u>\$ 796,667</u>	<u>\$ 15,773,834</u>	<u>\$ 567,496</u>	<u>\$ 18,628,288</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	16,680,275
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in 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 capital outlays (\$467,930) exceeds depreciation expense (\$320,786) in the current period.		147,144
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(3,167)
Proceeds from the sale of bonds and notes are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(31,000,000)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(278,033)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		276,211
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		1,178
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		130,973
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		14,919,342
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(59,454)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(162,102)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>652,367</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,441,985	\$ 6,441,985	\$ 6,374,787	\$ (67,198)
Tuition . . . . .	471,780	471,780	438,908	(32,872)
Earnings on investments . . . . .	50,000	50,000	43,412	(6,588)
Classroom materials and fees . . . . .	60,345	60,345	57,943	(2,402)
Other local revenues . . . . .	87,075	87,075	46,280	(40,795)
Intergovernmental - State . . . . .	8,610,335	8,610,335	9,093,819	483,484
Intergovernmental - Federal . . . . .	800	800	3,658	2,858
Total revenue . . . . .	<u>15,722,320</u>	<u>15,722,320</u>	<u>16,058,807</u>	<u>336,487</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,622,741	7,706,680	7,566,025	140,655
Special . . . . .	1,807,913	1,827,387	1,794,461	32,926
Vocational . . . . .	249,443	252,855	247,587	5,268
Other . . . . .	603,757	526,522	599,265	(72,743)
Support services:				
Pupil . . . . .	630,134	607,387	625,446	(18,059)
Instructional staff . . . . .	737,944	758,241	732,453	25,788
Board of education . . . . .	89,373	71,522	88,708	(17,186)
Administration . . . . .	1,671,965	1,604,747	1,659,525	(54,778)
Fiscal . . . . .	374,739	380,793	371,319	9,474
Operations and maintenance . . . . .	1,535,232	1,562,356	1,523,809	38,547
Pupil transportation . . . . .	579,009	707,221	574,701	132,520
Central . . . . .	275,619	254,902	273,568	(18,666)
Operation of non-instructional services . . . . .	3,385	2,755	3,360	(605)
Extracurricular activities . . . . .	493,368	470,125	489,697	(19,572)
Facilities acquisition and construction . . . . .	24,684	39,444	24,500	14,944
Total expenditures . . . . .	<u>16,699,306</u>	<u>16,772,937</u>	<u>16,574,424</u>	<u>198,513</u>
Excess of revenues over (under) expenditures . . . . .	<u>(976,986)</u>	<u>(1,050,617)</u>	<u>(515,617)</u>	<u>535,000</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	1,500	1,500	7,847	6,347
Transfers (out) . . . . .	(101,377)	(100,000)	(100,623)	(623)
Advances in . . . . .	289,689	289,689	225,900	(63,789)
Advances (out) . . . . .	(182,256)	(110,000)	(180,900)	(70,900)
Total other financing sources (uses) . . . . .	<u>7,556</u>	<u>81,189</u>	<u>(47,776)</u>	<u>(128,965)</u>
Net change in fund balance . . . . .	(969,430)	(969,428)	(563,393)	406,035
<b>Fund balance at beginning of year . . . . .</b>	<b>1,235,294</b>	<b>1,235,294</b>	<b>1,235,294</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>282,939</b>	<b>282,939</b>	<b>282,939</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 548,803</u></b>	<b><u>\$ 548,805</u></b>	<b><u>\$ 954,840</u></b>	<b><u>\$ 406,035</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 58,702	\$ 94,768
Receivables:		
Accounts . . . . .	-	514
Total assets. . . . .	58,702	\$ 95,282
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,234
Due to students . . . . .	-	94,048
Total liabilities . . . . .	-	\$ 95,282
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	58,702	
Total net assets . . . . .	\$ 58,702	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	
<b>Additions:</b>		
Interest . . . . .	\$	590
Gifts and contributions. . . . .		250
		840
Total additions. . . . .		840
<b>Deductions:</b>		
Scholarships awarded . . . . .		3,300
Change in net assets . . . . .		(2,460)
Net assets at beginning of year. . . . .		61,162
Net assets at end of year . . . . .	\$	58,702

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1847 through the consolidation of existing land areas and districts. The District serves an area of approximately 32 square miles. It is located in Crawford County, and includes the City of Galion and Polk Township. The District is 248<sup>th</sup> largest in the State of Ohio (among 613 districts) in terms of enrollment. It is staffed by 84 non-certificated employees and 172 certificated full-time teaching personnel who provide services to 2,232 students and other community members. The District currently operates 6 instructional buildings and one garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization; resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments (the COG)

The COG is a jointly governed organization among 15 districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with computers and other electronic technology to aid administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the member districts. The degree of control exercised by any district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

The PCTC is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, OH 44875-0309.

*PUBLIC ENTITY RISK POOLS*

Wyandot-Crawford Health Benefit Plan

The District is a member of the Wyandot-Crawford Health Benefit Plan, which is a consortium established between the District, Colonel Crawford Local Schools, Carey Exempted Village Schools, Buckeye Central Local Schools, and Upper Sandusky Exempted Village Schools to act as a common risk management and insurance program. Refer to Note 11.B for further information on this insurance pool.

Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.C for further information on this group rating plan.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically 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 following are the District's major governmental funds:

*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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

*Building Improvement Fund* - This fund used to account for monies received and expended in connection with the renovation and construction of District buildings.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District. 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 District.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**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. 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. Fiduciary funds use the accrual basis of accounting.

*Revenues - Exchange and Non-exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been 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 have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Crawford County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit, federal agency securities, and U.S. Government money markets. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically authorized by board resolution or statutory requirements. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$40,066 which includes \$23,473 assigned from other District funds.



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a \$2,500 capitalization threshold. 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. The District does not possess infrastructure assets.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	4 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with ten years of current service and at least forty-five years of age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

All payables, accrued liabilities and long-term obligations are reported in 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, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax advance unavailable for appropriation, bus purchase allowance and debt service. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 16 for details.

**Q. Interfund Activity**

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 basis financial statements.

**R. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

**S. Nonpublic Schools**

Within the District boundaries, nonpublic schools are operated by religious organizations. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic schools by the Treasurer of the District, as directed by the nonpublic schools. The activity of these State monies by the District is reflected in the nonmajor governmental funds for financial reporting purposes.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

Nonmajor Funds

Food Service	\$ 31,391
Termination Benefits	28,939
Disadvantaged Pupil Impact Aid	34
Miscellaneous State Grant	1
Title VI-B	12,318
Drug Free School Grant	833
EHA Preschool	1,450

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**Expenditures Exceed Appropriations**

Expenditures exceeded appropriations in the general fund as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Other Instruction	526,522	599,265	(72,743)
Pupils	607,387	625,446	(18,059)
Board of Education	71,522	88,708	(17,186)
Administration	1,604,747	1,659,525	(54,778)
Central	254,902	273,568	(18,666)
Non Instructional Services	2,755	3,360	(605)
Extracurricular Activities	470,125	489,697	(19,572)
Transfers-Out	100,000	100,623	(623)

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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 accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim monies available for investment at any one time; and

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$2,283,154 and the bank balance was \$2,422,302. The amounts include \$1,995,000 in certificates of deposit. Of the bank balance:

1. \$595,000 was covered by federal depository insurance; and
2. \$1,827,302 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio and the U.S. Government money market are not categorized as they are not evidenced by securities that exist in physical or book entry form.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

	<u>Category</u> <u>2</u>	<u>Reported</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Federal agency securities	\$ 15,704,378	\$ 15,704,378	\$ 15,704,378
Investment in STAR Ohio	-	266,682	266,682
U.S. Government money market	-	<u>76,183</u>	<u>76,183</u>
Total investments	<u>\$ 15,704,378</u>	<u>\$ 16,047,243</u>	<u>\$ 16,047,243</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and investments on the basic financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,626,019	\$ 15,704,378
Investments of the cash management pool:		
Investment in STAR Ohio	(266,682)	266,682
U.S. Government money market	<u>(76,183)</u>	<u>76,183</u>
GASB Statement No. 3	<u>\$ 2,283,154</u>	<u>\$ 16,047,243</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 98,500

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Debt Service fund from:	
General Fund	\$22,838
Transfers to Nonmajor Governmental funds from:	
General Fund	77,785

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Crawford, Richland and Morrow Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is 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 reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 6 - PROPERTY TAXES - (Continued)**

The amount available as an advance at June 30, 2004 was \$1,892,829 in the general fund and \$403,501 in the debt service fund. This amount has been recorded as revenue.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 147,946,600	81.71	\$ 167,527,420	83.31
Public Utility Personal	5,112,100	2.82	4,855,190	2.41
Tangible Personal Property	<u>28,002,560</u>	<u>15.47</u>	<u>28,711,743</u>	<u>14.28</u>
Total	<u>\$ 181,061,260</u>	<u>100.00</u>	<u>\$ 201,094,353</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$	60.73	\$	66.30

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities**

Taxes	\$ 6,878,086
Accounts	29,366
Intergovernmental	298,015
Accrued interest	<u>48,801</u>
Total	<u>\$ 7,254,268</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 530,660	\$ 364,695	\$ -	\$ 895,355
Total capital assets, not being depreciated	<u>530,660</u>	<u>364,695</u>	<u>-</u>	<u>895,355</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	611,742	-	-	611,742
Buildings and improvements	6,540,115	49,993	-	6,590,108
Furniture and equipment	706,369	53,242	(20,349)	739,262
Vehicles	902,437	-	(12,500)	889,937
Total capital assets, being depreciated	<u>8,760,663</u>	<u>103,235</u>	<u>(32,849)</u>	<u>8,831,049</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(370,269)	(38,769)	-	(409,038)
Buildings and improvements	(4,977,067)	(126,902)	-	(5,103,969)
Furniture and equipment	(371,691)	(79,948)	17,182	(434,457)
Vehicles	(554,864)	(75,167)	12,500	(617,531)
Total accumulated depreciation	<u>(6,273,891)</u>	<u>(320,786)</u>	<u>29,682</u>	<u>(6,564,995)</u>
Governmental activities capital assets, net	<u>\$ 3,017,432</u>	<u>\$ 147,144</u>	<u>\$ (3,167)</u>	<u>\$ 3,161,409</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 127,052
Special	11,562
Vocational	3,352

Support Services:

Pupil	1,778
Instructional staff	8,148
Administration	14,890
Fiscal	2,679
Operations and maintenance	30,009
Pupil transportation	66,929
Central	3,847
Noninstructional operations	3,482
Extracurricular activities	39,315
Food service operations	<u>7,743</u>

Total depreciation expense \$ 320,786

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. The District's long-term obligations during the year consist of the following:

	Balance Outstanding July 1, 2003	Additions	Reductions	Balance Outstanding June 30, 2004	Amounts Due in One Year
<b>Governmental Activities:</b>					
<u>General Obligation Bonds:</u>					
General obligation bonds	\$ 35,209	\$ -	\$ (13,524)	\$ 21,685	\$ 14,264
Boiler replacement	39,319	-	(5,818)	33,501	6,094
School improvement bonds	-	<u>16,103,089</u>	-	<u>16,103,089</u>	<u>670,000</u>
Total general obligation bonds payable	<u>\$ 74,528</u>	<u>\$16,103,089</u>	<u>\$ (19,342)</u>	<u>\$ 16,158,275</u>	<u>\$ 690,358</u>
<u>Notes Payable:</u>					
Bond anticipation notes	\$ -	<u>\$14,900,000</u>	<u>\$ (14,900,000)</u>	\$ -	\$ -
<u>Other Long-Term Obligations:</u>					
Compensated absences	\$ 1,127,812	<u>\$ 224,208</u>	<u>\$ (175,395)</u>	<u>\$ 1,176,625</u>	<u>\$ 131,235</u>
Total other long-term obligation	<u>\$ 1,127,812</u>	<u>\$ 224,208</u>	<u>\$ (175,395)</u>	<u>\$ 1,176,625</u>	<u>\$ 131,235</u>
Total governmental activities	<u>\$ 1,202,340</u>	<u>\$31,227,297</u>	<u>\$ (15,094,737)</u>	\$ 17,334,900	<u>\$ 821,593</u>
Add: Unamortized premium on bond issue				<u>278,033</u>	
Total on statement of net assets				<u>\$ 17,612,933</u>	

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

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

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending	Principal on Bonds	Interest on Bonds	Total
2005	\$ 14,264	\$ 981	\$ 15,245
2006	<u>7,421</u>	<u>200</u>	<u>7,621</u>
Total	<u>\$ 21,685</u>	<u>\$ 1,181</u>	<u>\$ 22,866</u>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Principal and interest requirements to retire the boiler replacement bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 6,094	\$ 1,498	\$ 7,592
2006	6,383	1,210	7,593
2007	6,686	908	7,594
2008	7,003	591	7,594
2009	7,335	259	7,594
Total	<u>\$ 33,501</u>	<u>\$ 4,466</u>	<u>\$ 37,967</u>

- D. On October 9, 2003, the District issued \$14,900,000 in bond anticipation notes to begin District building projects. The notes bore an annual interest rate of 1.70% and matured on March 8, 2004. The notes were retired using the proceeds from the District’s \$16,100,000 bond issue on March 1, 2004. In accordance with FASB Statement No. 6 “Classification of Short-Term Obligations Expected to Be Refinanced”, the bond anticipation notes were classified as long-term obligations because they have been replaced with long-term bonds before the financial statements have been issued.
- E. During fiscal year 2004, the District issued \$16,100,000 in general obligation bonds to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$15,990,000, and capital appreciation bonds, par value \$110,000. The interest rates on the current interest bonds range from 2.00% to 4.00%. The capital appreciation bonds mature on December 1, 2012 (effective interest 11.417%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported in the Statement of Net Assets at June 30, 2004, was \$110,000. A total of \$3,089 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2004.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal 2004 on the general obligation bonds:

	Balance <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/04</u>
Current interest bonds	\$ -	\$ 15,990,000	\$ -	\$ 15,990,000
Capital appreciation bonds	-	113,089	-	113,089
Total G.O. bonds	<u>\$ -</u>	<u>\$ 16,103,089</u>	<u>\$ -</u>	<u>\$ 16,103,089</u>

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 670,000	\$ 656,265	\$ 1,326,265	\$ -	\$ -	\$ -
2006	430,000	645,265	1,075,265	-	-	-
2007	180,000	639,165	819,165	-	-	-
2008	210,000	635,265	845,265	-	-	-
2009	220,000	630,964	850,964	290,000	-	290,000
2010 - 2014	1,085,000	3,251,392	4,336,392	-	-	-
2015 - 2019	1,985,000	2,806,362	4,791,362	-	-	-
2020 - 2024	3,095,000	2,197,750	5,292,750	-	-	-
2025 - 2029	4,555,000	1,281,876	5,836,876	-	-	-
2030 - 2032	<u>3,560,000</u>	<u>233,964</u>	<u>3,793,964</u>	-	-	-
Total	<u>\$ 15,990,000</u>	<u>\$ 12,978,268</u>	<u>\$ 28,968,268</u>	<u>\$ 290,000</u>	<u>\$ -</u>	<u>\$ 290,000</u>

**F. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$2,770,385 (including available funds of \$796,667) and an unvoted debt margin of \$201,094.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 10 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 47 days for classified employees and 60 days for certified employees.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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

Vehicle policies include liability coverage for bodily injury and property damage and uninsured motorists. The liability limits are \$1,000,000 for each accident and medical coverage of \$5,000 per person.

Real property and contents are fully insured. Limits of insurance on property and equipment are \$44,987,347.

The umbrella liability policy is \$4,000,000 for each occurrence and \$4,000,000 aggregate.

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

**B. Employee Health Insurance**

The District has joined together with Carey Exempted Village District, Colonel Crawford Local District, Buckeye Central Local District, and Upper Sandusky Exempted Village District to form the Wyandot-Crawford Health Benefit Plan (WCHBP), a public entity shared risk pool, operating as a common risk management and insurance program for the member Districts. The plan was organized to provide benefit coverage for employees and dependents and designated beneficiaries of such employees.

The Huntington National Bank serves as trustee for the WCHBP. The District pays an annual premium to the pool for its general insurance coverage. The risk of loss transfers entirely from the District to WCHBP. The Agreement for formation of the WCHBP provides that the WCHBP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Worker's Compensation**

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

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$275,829, \$271,246, and \$254,041, respectively; 43.23% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$156,588, represents the unpaid contribution for fiscal year 2004.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,215,783, \$1,168,379, and \$1,116,494, respectively; 82.50% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$212,740, represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined plans for fiscal year 2004 were \$13,232 made by the District and \$16,798 made by the plan members.



**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$86,842 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$125,195 during the 2004 fiscal year.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented 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 that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (563,393)
Net adjustment for revenue accruals	144,308
Net adjustment for expenditure accruals	(128,533)
Net adjustment for other sources/uses	(52,847)
Adjustment for encumbrances	<u>423,929</u>
GAAP basis	<u>\$ (176,536)</u>

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ (309,988)	\$ -
Current year set-aside requirement	312,700	312,700
Qualifying disbursements	<u>(325,468)</u>	<u>(605,414)</u>
Total	<u>\$ (322,756)</u>	<u>\$ (292,714)</u>
Cash balance carried forward to FY 2005	<u>\$ (322,756)</u>	<u>\$ -</u>

The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years. The negative amount in the capital acquisition reserve may not be carried forward.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 16 - STATUTORY RESERVES - (Continued)**

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2004 follows:

Amount restricted for school bus purchases	<u>\$ 10,380</u>
--	------------------

**NOTE 17 - SIGNIFICANT SUBSEQUENT EVENTS**

At the November 2, 2004 general election, the voters of the Galion City School District voted to repeal a portion of continuing current expense levy originally passed in 1971. This issue will reduce the voted millage by 9.4 mills and taxes collected by approximately \$785,000 annually starting in January of 2006. The Board of Education and Administrative team, to balance the budget, will examine cost saving measures and alternatives for the District.

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>FEDERAL GRANTOR</b> <i>Pass Through Entity</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$41,349	\$0	\$41,349
School Breakfast Program	044024-05PU-2003 044024-05PU-2004	10.553	5,001 40,432	0 0	5,001 40,432	0 0
Total School Breakfast Program			<u>45,433</u>	<u>0</u>	<u>45,433</u>	<u>0</u>
National School Lunch Program	044024-LLP4-2003 048413-LLP4-2004	10.555	25,555 178,037	0 0	25,555 178,037	0 0
Total National School Lunch Program			<u>203,592</u>	<u>0</u>	<u>203,592</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u><b>249,025</b></u>	<u><b>41,349</b></u>	<u><b>249,025</b></u>	<u><b>41,349</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Educaion Cluster:						
Special Education Grants to States	044024-6BSF-2003-P 044024-6BSF-2004	84.027	28,655 260,210	0 0	39,161 287,446	0 0
Total Special Education Grants to States			<u>288,865</u>	<u>0</u>	<u>326,607</u>	<u>0</u>
Special Education - Preschool Grant Total Special Educaion Cluster	044024-PGS1-2004	84.173	13,367	0	12,715	0
			<u><b>302,232</b></u>	<u><b>0</b></u>	<u><b>339,322</b></u>	<u><b>0</b></u>
Title I Grants to Local Educational Agencies	044024-C1S1-2003 044024-C1S1-2004	84.010	30,722 483,069	0 0	60,594 427,586	0 0
Total Title I Grants to Local Educational Agencies			<u><b>513,791</b></u>	<u><b>0</b></u>	<u><b>488,180</b></u>	<u><b>0</b></u>
Innovative Education Program Strategies	044024-C2S1-2002 044024-C2S1-2003 044024-C2S1-2004	84.298	0 2,022 13,246	0 0 0	1,723 1,805 12,992	0 0 0
Total Innovative Education Program Strategies			<u><b>15,268</b></u>	<u><b>0</b></u>	<u><b>16,520</b></u>	<u><b>0</b></u>
Improving Teacher Quality State Grants	044024-TRS1-2003 044024-TRS1-2004	84.367	100,597 113,518	0 0	15,465 139,371	0 0
Total Improving Teacher Quality State Grants			<u><b>214,115</b></u>	<u><b>0</b></u>	<u><b>154,836</b></u>	<u><b>0</b></u>
Safe & Drug-Free Schools and Communities-State Grant	044024-DRS1-2003 044024-DRS1-2004	84.186	56 13,701	0 0	1,376 13,227	0 0
Total Safe & Drug-Free Schools and Communities-State Grant			<u><b>13,757</b></u>	<u><b>0</b></u>	<u><b>14,603</b></u>	<u><b>0</b></u>
Technology Literacy Challenge Fund Grant	044024-TJS1-2004	84.318	<u><b>15,539</b></u>	<u><b>0</b></u>	<u><b>9,221</b></u>	<u><b>0</b></u>
Comprehensive School Reform Demonstration	044024-RFCC-2003 044024-RFCC-2004	84.332	16,388 39,763	0 0	11,340 29,197	0 0
Total Comprehensive School Reform Demonstration			<u><b>56,151</b></u>	<u><b>0</b></u>	<u><b>40,537</b></u>	<u><b>0</b></u>
Total U.S. Department of Education			<u><b>1,130,853</b></u>	<u><b>0</b></u>	<u><b>1,063,219</b></u>	<u><b>0</b></u>
<b><u>U.S. DEPARTMENT OF JOB &amp; FAMILY SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	34-6400544	93.778	80,453	0	80,453	0
Total U.S. Department of Job & Family Services			<u><b>80,453</b></u>	<u><b>0</b></u>	<u><b>80,453</b></u>	<u><b>0</b></u>
<b>Total Federal Awards</b>			<u><b>\$1,460,331</b></u>	<u><b>\$41,349</b></u>	<u><b>\$1,392,697</b></u>	<u><b>\$41,349</b></u>

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

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated December 6, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the District's management in a separate letter dated December 6, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
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This report is intended solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 6, 2004





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Galion City School District, Crawford County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 6, 2004

**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2004**

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

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

**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





**Auditor of State  
Betty Montgomery**

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**GALION CITY SCHOOL DISTRICT  
CRAWFORD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2005**