



Dave Yost • Auditor of State

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galion City School District, Crawford County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Galion City School District, Crawford County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 3, 2014

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of Galion City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2013 are as follows:

In total, net position decreased \$1,364,091, or 3 percent.

General revenues were \$15,431,758, or 78 percent of total revenues, and reflect the School District's substantial dependence on property taxes and unrestricted State entitlements.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 and fiscal year 2012:

Table 1 Net Position		Governmental Activities		
	2013	2012	Change	
<u>Assets:</u>				
Current and Other Assets	\$10,764,114	\$10,710,104	\$54,010	
Capital Assets, Net	53,372,439	54,679,981	(1,307,542)	
Total Assets	64,136,553	65,390,085	(1,253,532)	
<u>Deferred Outflows of Resources</u>				
<u>Resources:</u>	214,617	276,043	(61,426)	
<u>Liabilities:</u>				
Current and Other Liabilities	2,115,043	2,405,655	290,612	
Long-Term Liabilities	18,788,300	19,013,103	224,803	
Total Liabilities	20,903,343	21,418,758	515,415	
			(continued)	

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Table 1
Net Position
(continued)

	Governmental Activities		
	2013	2012	Change
<u>Deferred Inflows of Resources:</u>	\$3,861,174	\$3,296,626	(\$564,548)
<u>Net Position:</u>			
Net Investment in Capital Assets	36,101,470	37,671,024	(1,569,554)
Restricted	2,691,593	3,006,704	(315,111)
Unrestricted	793,590	273,016	520,574
Total Net Position	\$39,586,653	\$40,950,744	(\$1,364,091)

As noted earlier, the overall change to net position for the fiscal year ended June 30, 2013, was a decrease of 3 percent. The decrease in net capital assets and the investment in capital assets was due to annual depreciation. Several factors contributed to the decrease in current and other liabilities. There was a decrease in accrued wages and benefits and the related intergovernmental payable (pension contributions) was due to fewer employees; the School District had almost thirty fewer employees than the prior fiscal year. There was also a decrease in matured compensated absences due to fewer individuals to receive severance payments short-term.

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

Table 2
Change in Net Position

	Governmental Activities		
	2013	2012	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$1,010,588	\$934,095	\$76,493
Operating Grants, Contributions, and Interest	3,361,571	3,495,668	(134,097)
Total Program Revenues	4,372,159	4,429,763	(57,604)

(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2013	2012	Change
General Revenues			
Property Taxes Levied for General Purposes	\$4,100,460	\$4,511,609	(\$411,149)
Property Taxes Levied for Classroom Facilities Purposes	91,066	49,243	41,823
Property Taxes Levied for Debt Service Purposes	976,828	1,026,063	(49,235)
Payment in Lieu of Taxes	36,757	36,757	0
Grants and Entitlements	9,994,569	9,895,504	99,065
Interest	5,075	7,141	(2,066)
Gifts and Donations	4,889	7,645	(2,756)
Miscellaneous	222,114	136,990	85,124
Total General Revenues	<u>15,431,758</u>	<u>15,670,952</u>	<u>(239,194)</u>
Total Revenues	<u>19,803,917</u>	<u>20,100,715</u>	<u>(296,798)</u>
<u>Expenses:</u>			
Instruction:			
Regular	8,942,661	9,149,553	206,892
Special	3,007,645	3,109,671	102,026
Vocational	97,139	113,243	16,104
Support Services:			
Pupils	871,356	856,283	(15,073)
Instructional Staff	739,118	1,058,030	318,912
Board of Education	80,166	69,112	(11,054)
Administration	1,289,764	1,372,018	82,254
Fiscal	453,781	442,044	(11,737)
Operation and Maintenance of Plant	1,696,916	1,698,430	1,514
Pupil Transportation	778,503	762,353	(16,150)
Central	182,150	184,368	2,218
Non-Instructional Services	1,341,837	1,148,520	(193,317)
Extracurricular Activities	643,399	600,764	(42,635)
Interest and Fiscal Charges	1,043,573	850,631	(192,942)
Total Expenses	<u>21,168,008</u>	<u>21,415,020</u>	<u>247,012</u>
Decrease in Net Position	<u>(1,364,091)</u>	<u>(1,314,305)</u>	<u>49,786</u>
Net Position at Beginning of Year	<u>40,950,744</u>	<u>42,265,049</u>	<u>(1,314,305)</u>
Net Position at End of Year	<u>\$39,586,653</u>	<u>\$40,950,744</u>	<u>(\$1,364,091)</u>

In total, program revenues were similar to the prior fiscal year with a decrease of 1 percent; however, there was an increase in charges for services due to an increase in tuition and fees. The decrease in operating grants and contributions was due to a decrease in federal grant funding. General revenues were also similar to the prior fiscal year in total. However, there was a decrease in property tax revenue due to a large decrease in assessed valuation of property. This was somewhat offset by an increase in unrestricted grants and entitlements which are primarily State foundation resources.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Overall, expenses decreased 1 percent from the prior fiscal year, not a significant change overall. The major program expense, as expected, is for instruction, which accounts for 57 percent of all expenses. The instruction program, however, does not include all activities associated with educating students. The support services including pupils, instructional staff, and pupil transportation programs have a significant role in delivering education.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction:				
Regular	\$8,942,661	\$9,149,553	\$8,193,273	\$8,500,571
Special	3,007,645	3,109,671	752,657	579,074
Vocational	97,139	113,243	89,987	106,091
Support Services:				
Pupils	871,356	856,283	871,356	822,133
Instructional Staff	739,118	1,058,030	739,118	1,058,030
Board of Education	80,166	69,112	80,166	69,112
Administration	1,289,764	1,372,018	1,289,764	1,372,018
Fiscal	453,781	442,044	453,781	442,044
Operation and Maintenance of Plant	1,696,916	1,698,430	1,696,916	1,698,430
Pupil Transportation	778,503	762,353	718,919	699,661
Central	182,150	184,368	182,150	184,368
Non-Instructional Services	1,341,837	1,148,520	206,799	165,044
Extracurricular Activities	643,399	600,764	477,390	438,050
Interest and Fiscal Charges	1,043,573	850,631	1,043,573	850,631
Total Expenses	<u>\$21,168,008</u>	<u>\$21,415,020</u>	<u>\$16,795,849</u>	<u>\$16,985,257</u>

As demonstrated again in the above table, general revenues are relied upon to bear the burden of the costs of programs provided by the School District. In fiscal year 2013, general revenues provided for 79 percent (same as prior fiscal year) of the costs of programs provided. As can be seen from the above table, only a very few of the School District's programs receive a significant amount of program revenues to offset their costs. Almost 75 percent of the special instruction costs are provided for through various grants restricted for special instruction purposes. Almost 85 percent of non-instructional services were provided for through program revenues. This is primarily due to cafeteria sales, state and federal subsidies and donated commodities for food service, and for State resources received by the School District on behalf of the parochial school located within the School District.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the School District's major funds demonstrates a 27 percent increase in the fund balance for the General Fund. Revenues were similar to the prior fiscal year; however, there was a 4 percent decrease in expenditures primarily due to staff reductions as discussed earlier.

The Bond Retirement debt service fund had a 10 percent increase in fund balance as tax and related revenues exceeded debt service requirements.

General Fund Budgeting Highlights

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

During fiscal year 2013, the School District amended its General Fund budget as needed. For revenues, the most significant change from the original budget to the final budget was related to the estimate for intergovernmental revenues (primarily State foundation resources). Changes from the final budget to actual revenues were not significant. Changes from the original budget to the final budget and from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$53,372,439 invested in capital assets (net of accumulated depreciation). Additions were minimal. Disposals included three buses and miscellaneous equipment. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

The School District's outstanding debt at June 30, 2013, consisted of general obligation bonds, in the amount of \$17,646,674. During fiscal year 2013, the School District advance refunded general obligation bonds, in the amount of \$9,300,000. The result of this refunding is a decrease in the aggregate debt service payments of \$2,025,791 and an economic gain of \$1,506,221. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

The Administration and Board of Education continue to closely monitor the financial condition of the School District. The School District realized a reduction of approximately \$700,000 in State funding sources from fiscal year 2011 to fiscal year 2012 and, while funding remained stable in fiscal year 2013, the State biennium budget is facing changes in fiscal year 2014. Current estimates reflect an increase in funding but it is yet to be determined how the changes will affect the bottom line.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

During fiscal year 2012, the Galion City School District, along with the other school districts in the Crawford-Wyandot Health Benefit Plan, realized significant health insurance expenditures to maintain balances in the shared risk account. Rate changes took effect to offset future shortages. In fiscal year 2013, the School District faced another rate increase in health insurance and in dental insurance premiums and entered into a new contract for vision insurance. The unions (both certified and classified) voted on a less expensive plan that resulted in a savings in both School District and employee contributions. Also during fiscal year 2013, the Galion Education Association voted to increase the employee contribution of insurance benefits to 10 percent of premium.

The Education Jobs Grant was a funding source that provided the School District with approximately \$488,000 of additional funding. The expiration of this grant and the loss of the funding was significant enough to have an effect on the School District's financial forecast. The funds available from the Race to the Top Grant (a four-year grant) will be available through fiscal year 2014. Fiscal year 2013, was the last year the School District received funds from the Race to the Top AVID Grant (a three-year grant). The loss of these grant funds will also have a great impact on the School District because these grants provided programs and support for students and staff that would not otherwise be available from the General Fund.

On November 5, 2010, the School District issued HB 264 Energy Conservation Bonds, in the amount of \$566,044. The energy conservation measures included lighting, enhanced metering and load shedding, green education, and vending. As required for HB 264 projects, the savings from implementing these programs are to make the principal payments on the debt. These are Qualified School Construction Bonds, which qualified for full interest payment reimbursement from the federal government. The federal government sequestration reduced the amount of reimbursement to 92.8 percent, leaving the School District to pay the balance from the savings from installation of the equipment thus reducing the net savings. The audit of gas and electric usage in fiscal year 2013 yielded a savings in fuel costs that exceeded the principal payment.

In fiscal year 2013, the School District began to see more equipment failure and an increase in maintenance costs. This was expected as all of the new buildings being completed at the same time and equipment would wear occur somewhat evenly. These expenses are expected to continue to increase over time. The School District has a .5 mill levy to help offset these expenses but will not fully fund the expenses over time. In fiscal year 2014, the School District will set aside additional General Fund resources as well as permanent improvement resources as mandated by the State of Ohio. The set aside is also intended to assist with the building expenses; however, overflow permanent improvement costs will need to be absorbed by the General Fund. The School District is looking into a preventative maintenance plan and working to gain community support to pass a permanent improvement levy in 2014. A similar request was not successful in 2013.

The School District is also feeling the effect of a shortage of funding for transportation. Bus replacement had been put on hold due to lack of funding. In fiscal year 2013, the School District began a bid process to purchase new buses for the 2014 school year knowing that at least four of the current buses would not pass another inspection.

In the new local report card system, the following ratings were posted for our 2012-2013 Local District Report Card: Achievement = C; Progress/Value Added Overall = A. Thus, in Galion City Schools, the overall tested student population is exceeding at least one year's growth in a year's time. Parent support of the educational process is reflected by our attendance rate continuing to score above State expectations.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

In fiscal year 2013, the School District adopted a kindergarten through 2nd grade comprehensive math program aligned to the new common core standards. Our School District's One-to-One computing program using Apple laptops and iPads was implemented for grades 3-8. Teachers also received multiple days of training from Apple trainers regarding classroom instructional application and support of at-risk learners using technology tools. These projects are major steps in the School District's commitment to developing a 21st Century learning environment.

Contacting the School District's Financial Management

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,620,038
Accounts Receivable	25,858
Intergovernmental Receivable	488,225
Due from External Parties	1,428
Inventory Held for Resale	22,031
Materials and Supplies Inventory	5,298
Property Taxes Receivable	6,564,479
Payment in Lieu of Taxes Receivable	36,757
Nondepreciable Capital Assets	873,865
Depreciable Capital Assets, Net	52,498,574
Total Assets	64,136,553
 <u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	214,617
 <u>Liabilities:</u>	
Accounts Payable	65,832
Contracts Payable	23,275
Accrued Wages and Benefits Payable	1,430,203
Matured Compensated Absences Payable	111,384
Intergovernmental Payable	439,641
Accrued Interest Payable	44,708
Long-Term Liabilities:	
Due Within One Year	698,760
Due in More Than One Year	18,089,540
Total Liabilities	20,903,343
 <u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	3,826,343
Payment in Lieu of Taxes Receivable	34,831
Total Deferred Inflows of Resources	3,861,174
 <u>Net Position:</u>	
Net Investment in Capital Assets	36,101,470
Restricted For:	
Debt Service	969,658
Capital Projects	384,065
Food Service	380,933
Classroom Facilities Maintenance	572,534
Other Purposes	384,403
Unrestricted	793,590
Total Net Position	\$ 39,586,653

See Accompanying Notes to Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 8,942,661	\$ 480,754	\$ 268,634	\$ (8,193,273)
Special	3,007,645	96,329	2,158,659	(752,657)
Vocational	97,139	-	7,152	(89,987)
Support Services:				
Pupils	871,356	-	-	(871,356)
Instructional Staff	739,118	-	-	(739,118)
Board of Education	80,166	-	-	(80,166)
Administration	1,289,764	-	-	(1,289,764)
Fiscal	453,781	-	-	(453,781)
Operation and Maintenance of Plant	1,696,916	-	-	(1,696,916)
Pupil Transportation	778,503	-	59,584	(718,919)
Central	182,150	-	-	(182,150)
Non-Instructional Services	1,341,837	282,945	852,093	(206,799)
Extracurricular Activities	643,399	150,560	15,449	(477,390)
Interest and Fiscal Charges	1,043,573	-	-	(1,043,573)
Total Governmental Activities	\$ 21,168,008	\$ 1,010,588	\$ 3,361,571	(16,795,849)

General Revenues:

Property Taxes Levied for General Purposes	4,100,460
Property Taxes Levied for Classroom Facilities Purposes	91,066
Property Taxes Levied for Debt Service Purposes	976,828
Payment in Lieu of Taxes	36,757
Grants and Entitlements not Restricted to Specific Programs	9,994,569
Interest	5,075
Gifts and Donations	4,889
Miscellaneous	222,114
Total General Revenues	15,431,758
Change in Net Position	(1,364,091)
Net Position at Beginning of Year	40,950,744
Net Position at End of Year	\$ 39,586,653

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,384,517	\$ 658,114	\$ 1,575,681	\$ 3,618,312
Accounts Receivable	25,585	-	273	25,858
Interfund Receivable	26,193	-	1,423	27,616
Intergovernmental Receivable	70,493	369	417,363	488,225
Due from External Parties	867	-	561	1,428
Inventory Held for Resale	-	-	22,031	22,031
Materials and Supplies Inventory	856	-	4,442	5,298
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	1,726	-	-	1,726
Property Taxes Receivable	5,234,971	1,246,852	82,656	6,564,479
Payment in Lieu of Taxes Receivable	-	-	36,757	36,757
Total Assets	\$ 6,745,208	\$ 1,905,335	\$ 2,141,187	\$ 10,791,730
<u>Liabilities</u>				
Accounts Payable	\$ 47,406	\$ -	\$ 18,426	\$ 65,832
Contracts Payable	-	-	23,275	23,275
Accrued Wages and Benefits Payable	1,230,377	-	199,826	1,430,203
Matured Compensated Absences Payable	111,384	-	-	111,384
Interfund Payable	1,396	-	26,220	27,616
Intergovernmental Payable	370,704	-	68,937	439,641
Total Liabilities	1,761,267	-	336,684	2,097,951
<u>Deferred Inflows of Resources</u>				
Property Taxes Receivable	3,046,518	731,349	48,476	3,826,343
Payment in Lieu of Taxes Receivable	-	-	34,831	34,831
Unavailable Revenue	535,754	122,513	424,987	1,083,254
Total Deferred Inflows of Resources	3,582,272	853,862	508,294	4,944,428
<u>Fund Balances:</u>				
Nonspendable	2,582	-	4,442	7,024
Restricted	-	1,051,473	1,446,445	2,497,918
Assigned	220,434	-	-	220,434
Unassigned (Deficit)	1,178,653	-	(154,678)	1,023,975
Total Fund Balances	1,401,669	1,051,473	1,296,209	3,749,351
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,745,208	\$ 1,905,335	\$ 2,141,187	\$ 10,791,730

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total Governmental Fund Balances \$ 3,749,351

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 53,372,439

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	15,285	
Intergovernmental Receivable	416,864	
Delinquent Property Taxes Receivable	651,105	
		1,083,254

Deferred outflows of resources consists of deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 214,617

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(44,708)	
General Obligation Bonds Payable	(17,646,674)	
Compensated Absences Payable	(1,141,626)	
		(18,833,008)

Net Position of Governmental Activities \$ 39,586,653

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 4,186,147	\$ 988,207	\$ 92,803	\$ 5,267,157
Payment in Lieu of Taxes	-	-	36,757	36,757
Intergovernmental	10,848,962	293,926	2,114,351	13,257,239
Interest	4,048	745	964	5,757
Tuition and Fees	573,287	-	-	573,287
Extracurricular Activities	6,279	-	144,281	150,560
Charges for Services	-	-	282,945	282,945
Gifts and Donations	4,889	-	15,499	20,388
Miscellaneous	212,734	4,578	4,802	222,114
Total Revenues	<u>15,836,346</u>	<u>1,287,456</u>	<u>2,692,402</u>	<u>19,816,204</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,626,570	-	109,072	7,735,642
Special	1,997,639	-	906,125	2,903,764
Vocational	80,708	-	309	81,017
Support Services:				
Pupils	832,710	-	1,578	834,288
Instructional Staff	565,904	-	200,446	766,350
Board of Education	80,166	-	-	80,166
Administration	1,281,445	-	2,795	1,284,240
Fiscal	414,382	32,704	4,694	451,780
Operation and Maintenance of Plant	1,317,615	-	181,606	1,499,221
Pupil Transportation	689,621	-	30,883	720,504
Central	181,191	-	-	181,191
Non-Instructional Services	3,558	-	1,153,252	1,156,810
Extracurricular Activities	430,717	-	157,254	587,971
Capital Outlay	-	-	661,732	661,732
Debt Service:				
Principal Retirement	-	170,000	-	170,000
Interest and Fiscal Charges	-	939,857	-	939,857
Interest on Capital Appreciation Bonds	-	180,000	-	180,000
Total Expenditures	<u>15,502,226</u>	<u>1,322,561</u>	<u>3,409,746</u>	<u>20,234,533</u>
Excess of Revenues Over (Under) Expenditures	<u>334,120</u>	<u>(35,105)</u>	<u>(717,344)</u>	<u>(418,329)</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	4,000	-	-	4,000
General Obligation Bonds Issued	-	9,300,000	-	9,300,000
Premium on Bonds Issued	-	370,586	-	370,586
Payment to Refunded Bond Escrow Agent	-	(9,514,617)	-	(9,514,617)
Transfers In	-	41,406	-	41,406
Transfers Out	(41,406)	-	-	(41,406)
Total Other Financing Sources (Uses)	<u>(37,406)</u>	<u>197,375</u>	<u>-</u>	<u>159,969</u>
Changes in Fund Balances	296,714	162,270	(717,344)	(258,360)
Fund Balances at Beginning of Year	1,104,955	889,203	2,013,553	4,007,711
Fund Balances at End of Year	<u>\$ 1,401,669</u>	<u>\$ 1,051,473</u>	<u>\$ 1,296,209</u>	<u>\$ 3,749,351</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Changes in Fund Balances - Total Governmental Funds \$ (258,360)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay - Depreciable Capital Assets	56,775	
Depreciation	<u>(1,338,068)</u>	(1,281,293)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(4,000)	
Loss on Disposal of Capital Assets	<u>(22,249)</u>	(26,249)

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

Delinquent Property Taxes	(98,803)	
Intergovernmental	82,720	
Tuition and Fees	<u>3,796</u>	(12,287)

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

Payment to Refunded Bond Escrow Agent	9,514,617	
General Obligation Bonds	<u>170,000</u>	9,684,617

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

(9,300,000)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	50,721	
Annual Accretion on Capital Appreciation Bonds	(14,521)	
Payment of Accretion of Capital Appreciation Bonds	180,000	
Amortization of Premium	136,127	
Unamortized Premium	(370,586)	
Amortization of Deferred Charge on Refunding	<u>(276,043)</u>	(294,302)

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

123,783

Change in Net Position of Governmental Activities \$ (1,364,091)

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 4,230,910	\$ 4,319,990	\$ 4,394,575	\$ 74,585
Intergovernmental	10,147,645	10,847,084	10,847,084	-
Interest	7,000	3,716	4,048	332
Tuition and Fees	541,086	573,356	573,287	(69)
Extracurricular Activities	6,500	6,279	6,279	-
Gifts and Donations	8,700	9,451	6,451	(3,000)
Miscellaneous	143,431	130,769	127,287	(3,482)
Total Revenues	<u>15,085,272</u>	<u>15,890,645</u>	<u>15,959,011</u>	<u>68,366</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,515,406	8,534,116	7,891,802	642,314
Special	1,698,151	1,715,651	1,982,019	(266,368)
Vocational	110,331	110,331	92,653	17,678
Support Services:				
Pupils	785,634	788,698	838,111	(49,413)
Instructional Staff	708,593	708,593	608,344	100,249
Board of Education	100,004	107,186	98,816	8,370
Administration	1,281,741	1,282,836	1,323,600	(40,764)
Fiscal	410,416	410,770	431,682	(20,912)
Operation and Maintenance of Plant	1,422,990	1,422,990	1,434,337	(11,347)
Pupil Transportation	680,755	682,592	724,012	(41,420)
Central	177,492	177,417	189,071	(11,654)
Non-Instructional Services	3,550	3,550	4,700	(1,150)
Extracurricular Activities	162,725	162,725	429,748	(267,023)
Total Expenditures	<u>16,057,788</u>	<u>16,107,455</u>	<u>16,048,895</u>	<u>58,560</u>
Excess of Revenues Under Expenditures	<u>(972,516)</u>	<u>(216,810)</u>	<u>(89,884)</u>	<u>126,926</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	-	4,000	4,000	-
Refund of Prior Year Expenditures	5,000	12,241	12,241	-
Other Financing Uses	(1,353)	(1,353)	(1,734)	(381)
Advances In	120,000	39,000	39,000	-
Advances Out	(119,400)	(119,400)	(52,193)	67,207
Transfers Out	(41,406)	(41,406)	(41,406)	-
Total Other Financing Sources (Uses)	<u>(37,159)</u>	<u>(106,918)</u>	<u>(40,092)</u>	<u>66,826</u>
Changes in Fund Balance	(1,009,675)	(323,728)	(129,976)	193,752
Fund Balance at Beginning of Year	1,029,648	1,029,648	1,029,648	-
Prior Year Encumbrances Appropriated	205,770	205,770	205,770	-
Fund Balance at End of Year	<u>\$ 225,743</u>	<u>\$ 911,690</u>	<u>\$ 1,105,442</u>	<u>\$ 193,752</u>

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 255,501	\$ 61,767
Accounts Receivable	500	-
Accrued Interest Receivable	170	-
Total Assets	<u>256,171</u>	<u>\$ 61,767</u>
 <u>Liabilities:</u>		
Undistributed Assets	-	\$ 15,790
Due to Students	-	44,549
Due to External Parties	-	1,428
Total Liabilities	<u>-</u>	<u>\$ 61,767</u>
 <u>Net Position:</u>		
Held in Trust for Scholarships	240,281	
Endowment	15,890	
Total Net Position	<u>\$ 256,171</u>	

See Accompanying Notes to the Basic Financial Statements

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Additions:

Interest	\$	2,079
Gifts and Donations		500
Total Additions		<u>2,579</u>

Deductions:

Non-Instructional Services		<u>5,201</u>
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Change in Net Position (2,622)

Net Position at Beginning of Year 258,793

Net Position at End of Year \$ 256,171

See Accompanying Notes to the Basic Financial Statements

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**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1847. The School District serves an area of approximately thirty-two square miles and is located in Crawford, Morrow, and Richland Counties. The School District is the 278th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-nine classified employees, one hundred eleven certified teaching personnel, and eleven administrative employees who provide services to 1,980 students and other community members. The School District currently operates two elementary schools, a middle school, and a high school.

Reporting Entity

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

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

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

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Galion City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources consists of a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

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

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

E. Budgetary Process

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

F. Cash and Investments

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

During fiscal year 2013, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 was \$4,048, which includes \$1,609 assigned from other School District funds.

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

G. Inventory

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Unclaimed monies that have a legal restriction on their use are reported as restricted.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

I. Capital Assets

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

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

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

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

J. Interfund Assets/Liabilities

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

K. Deferred Charge on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

L. Compensated Absences

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Bond Premiums

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the bonds.

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

O. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for athletic and music programs and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

P. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

Q. Interfund Transactions

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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

R. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 3 - Change in Accounting Principles (continued)

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the School District's financial statements.

Note 4 - Accountability

At June 30, 2013, the following funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Race to the Top	\$7,931
Title VI-B	74,021
Title II-D	243
Title I	59,177
Preschool	196
Title II-A	11,327
State Personnel Development	1,783

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

Note 5 - Budgetary Basis of Accounting

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 5 - Budgetary Basis of Accounting (continued)

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

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

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

Changes in Fund Balance	
GAAP Basis	\$296,714
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2012, Received in Cash FY 2013	1,884,550
Accrued FY 2013 Not Yet Received in Cash	(1,749,644)
Expenditure Accruals:	
Accrued FY 2012, Paid in Cash FY 2013	(2,029,212)
Accrued FY 2013, Not Yet Paid in Cash	1,761,267
Materials and Supplies Inventory	343
Advances In	39,000
Advances Out	(52,193)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(280,801)
Budget Basis	<u><u>(\$129,976)</u></u>

Note 6 - Deposits and Investments

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 6 - Deposits and Investments (continued)

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

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

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

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2013, the fair value of funds on deposit with STAR Ohio was \$1,763. The School District's investments in STAR Ohio have an average maturity of 57.5 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with interest rate or credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2013, consisted of accounts (student fees and billings for user charged services), interfund, intergovernmental, amounts due from external parties, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
State of Ohio	\$1,878
Ohio Bureau of Workers' Compensation	59,888
Pioneer Career and Technology Center	8,727
Total General Fund	70,493
Bond Retirement	
State of Ohio	369
Total Major Funds	70,862
Other Governmental Funds	
Classroom Facilities	28
Athletics and Music	471
Race to the Top	54,929
Title VI-B	85,918
Title I	228,673
Title II-A	33,167
REAP	12,694
State Personnel Development	1,483
Total Other Governmental Funds	417,363
Total Intergovernmental Receivables	\$488,225

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Crawford, Morrow, and Richland Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2013, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2013, was \$1,667,984 in the General Fund, \$26,057 in the Classroom Facilities special revenue fund, and \$392,990 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2012, was \$1,876,412 in the General Fund, \$4,547 in the Classroom Facilities special revenue fund, and \$425,297 in the Bond Retirement debt service fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 8 - Property Taxes (continued)

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$174,667,700	98.61%	\$156,769,970	98.38%
Public Utility	2,453,810	1.39	2,577,210	1.62
Total Assessed Value	<u>\$177,121,510</u>	<u>100.00%</u>	<u>\$159,347,180</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$59.33		\$60.28	

Note 9 - Payment in Lieu of Taxes

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

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$873,865	\$0	\$0	\$873,865
Depreciable Capital Assets				
Land Improvements	648,192	56,775	0	704,967
Buildings and Building Improvements	57,572,632	0	0	57,572,632
Furniture, Fixtures, and Equipment	1,376,224	0	(105,732)	1,270,492
Vehicles	1,272,994	0	(103,733)	1,169,261
Total Depreciable Capital Assets	<u>60,870,042</u>	<u>56,775</u>	<u>(209,465)</u>	<u>60,717,352</u>

(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 10 - Capital Assets (continued)

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$305,860)	(\$22,383)	\$0	(\$328,243)
Buildings and Building Improvements	(5,383,882)	(1,154,744)	0	(6,538,626)
Furniture, Fixtures, and Equipment	(629,223)	(99,494)	99,084	(629,633)
Vehicles	(744,961)	(61,447)	84,132	(722,276)
Total Accumulated Depreciation	<u>(7,063,926)</u>	<u>(1,338,068)</u>	<u>183,216</u>	<u>(8,218,778)</u>
Depreciable Capital Assets, Net	<u>53,806,116</u>	<u>(1,281,293)</u>	<u>(26,249)</u>	<u>52,498,574</u>
Governmental Activities Capital Assets, Net	<u>\$54,679,981</u>	<u>(\$1,281,293)</u>	<u>(\$26,249)</u>	<u>\$53,372,439</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$656,954
Special	122,578
Vocational	16,122
Support Services:	
Pupils	14,466
Instructional Staff	768
Administration	37,100
Fiscal	4,967
Operation and Maintenance of Plant	186,083
Pupil Transportation	62,277
Central	548
Non-Instructional Services	184,027
Extracurricular Activities	52,178
Total Depreciation Expense	<u>\$1,338,068</u>

Note 11 - Interfund Receivables/Payables

At June 30, 2013, the General Fund had an interfund receivable, in the amount of \$26,193, from other governmental funds for short-term loans made to those funds. Other governmental funds had an interfund receivable, in the amount of \$1,396 from the General Fund and \$27 from other governmental funds, for services provided. These amounts are expected to be repaid within one year.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

Buildings and Contents - replacement cost	\$71,502,610
Automobile Liability	5,000,000
General School District Liability	
Per Occurrence	5,000,000
Total per Year	7,000,000

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

For fiscal year 2013, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 13 - Defined Benefit Pension Plans (continued)

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$935,705 and \$7,340 for the fiscal year ended June 30, 2013, \$1,054,891 and \$7,411 for the fiscal year ended June 30, 2012, and \$1,131,979 and \$7,247 for the fiscal year ended June 30, 2011. For fiscal year 2013, 84 percent has been contributed for both the DBP the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$96 made by the School District and \$69 made by the plan members. In addition, member contributions of \$5,243 were made for fiscal year 2013 for the defined contribution portion of the CP.

B. School Employees Retirement System

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 13 - Defined Benefit Pension Plans (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$219,846, \$238,034, and \$242,677, respectively. For fiscal year 2013, 49 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2013, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$72,549, \$81,721, and \$88,143, respectively. For fiscal year 2013, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 14 - Postemployment Benefits (continued)

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$31,984 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$2,685, \$10,309, and \$29,384, respectively. For fiscal year 2013, 49 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$12,419, \$14,057, and \$15,617, respectively. For fiscal year 2013, 49 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 15 - Other Employee Benefits

A. Compensated Absences

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 15 - Other Employee Benefits (continued)

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

B. Health Care Benefits

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

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
School Improvement Bonds					
FY 2004					
Term Bonds 4.25-5%	\$12,105,000	\$0	\$8,545,000	\$3,560,000	\$0
Serial Bonds 2-4%	1,410,000	0	755,000	655,000	320,000
Capital Appreciation Bonds					
11.42%	110,000	0	110,000	0	0
Accretion on Capital					
Appreciation Bonds	166,947	13,053	180,000	0	0
Premium	196,905	0	135,495	61,410	0
School Improvement Bonds					
FY 2007					
Term Bonds 4.55-5%	3,050,000	0	0	3,050,000	0
Serial Bonds 4-4.25%	80,000	0	20,000	60,000	20,000
Premium	98,842	0	632	98,210	0
Energy Conservation Bonds					
FY11					
Serial Bonds 4.25%	530,000	0	40,000	490,000	40,000

(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 16 - Long-Term Obligations (continued)

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities (continued)					
General Obligation Bonds (continued)					
School Improvement Refunding Bonds					
FY 2013					
Serial Bonds 1-3%	\$0	\$9,070,000	\$0	\$9,070,000	\$235,000
Capital Appreciation Bonds 14.52%	0	230,000	0	230,000	0
Accretion on Capital Appreciation Bonds	0	1,468	0	1,468	0
Premium	0	370,586	0	370,586	0
Total General Obligation Bonds	17,747,694	9,685,107	9,786,127	17,646,674	615,000
Compensated Absences	1,265,409	142,275	266,058	1,141,626	83,760
Total Governmental Activities Long-Term Obligations	<u>\$19,013,103</u>	<u>\$9,827,382</u>	<u>\$10,052,185</u>	<u>\$18,788,300</u>	<u>\$698,760</u>

FY 2004 School Improvement Bonds - On March 1, 2004, the School District issued \$16,100,000 in voted general obligation bonds for the construction of two elementary schools, a middle school, and a high school. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$3,885,000, \$12,105,000, and \$110,000, respectively. The bonds were issued for a twenty-seven fiscal year period, with final maturity in fiscal year 2032. The bonds are being retired through the Bond Retirement debt service fund. During fiscal year 2013, a portion of the serial and term bonds were refunded, in the amount of \$755,000 and \$8,545,000, respectively.

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

Year	Amount
2029	\$1,110,000
2030	1,175,000

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds matured and were fully retired in fiscal year 2013.

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 16 - Long-Term Obligations (continued)

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

<u>Year</u>	<u>Amount</u>
2016	\$45,000
2017	50,000
2018	50,000
2019	95,000
2020	95,000
2021	100,000

The remaining principal, in the amount of \$150,000, will be paid at stated maturity on December 1, 2022.

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

<u>Year</u>	<u>Amount</u>
2023	\$160,000

The remaining principal, in the amount of \$170,000, will be paid at stated maturity on December 1, 2024.

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

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

The remaining principal, in the amount of \$235,000, will be paid at stated maturity on December 1, 2026.

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

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

The remaining principal, in the amount of \$315,000, will be paid at stated maturity on December 1, 2028.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 16 - Long-Term Obligations (continued)

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

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

The remaining principal, in the amount of \$430,000, will be paid at stated maturity on December 1, 2031.

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

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

FY 2013 School Improvement Refunding Bonds - On June 13, 2013, the School District issued bonds, in the amount of \$9,300,000, to partially refund bonds previously issued in fiscal year 2004 for the construction of two elementary schools, a middle school, and a high school. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$9,070,000 and \$230,000, respectively. The bonds were issued at a premium of \$370,586. The bonds were issued for a sixteen fiscal year period, with final maturity in fiscal year 2029. The bonds are being retired through the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$9,514,617, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the FY 2004 School Improvement bonds. As a result, \$9,300,000 of the FY 2004 School Improvement bonds are considered to be defeased and the liability for the bonds has been removed from the School District's financial statements.

Although the refunding will result in the recognition of an accounting loss of \$214,617, the School District in effect decreased its aggregate debt service payments by \$2,025,791 over the next sixteen years and obtained an economic gain (difference between present values of the old and new debt service payments) of \$1,506,221.

The serial bonds maturing on or after December 1, 2021, are subject to prior redemption on or after June 1, 2021, by and at the sole option of the School District, either in whole or in part on any interest payment date and in integral multiples of \$5,000, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2020. The maturity amount of the bonds is \$655,000. For fiscal year 2013, \$1,468 was accreted on the capital appreciation bonds for a total value of \$231,468 at fiscal year end.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 16 - Long-Term Obligations (continued)

As of June 30, 2013, \$9,300,000 of the refunded bonds were still outstanding.

Compensated absences will be paid from the General Fund.

The School District's overall debt margin was (\$1,942,304) with an unvoted debt margin of \$156,902 at June 30, 2013. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2013, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2014	\$615,000	\$0	\$0	\$535,602	\$1,150,602
2015	640,000	0	0	526,396	1,166,396
2016	650,000	0	0	512,347	1,162,347
2017	650,000	45,000	0	498,459	1,193,459
2018	660,000	50,000	0	481,846	1,191,846
2019-2023	2,765,000	490,000	230,000	2,587,503	6,072,503
2024-2028	3,570,000	1,035,000	0	1,584,519	6,189,519
2029-2032	725,000	4,990,000	0	535,165	6,250,165
	<u>\$10,275,000</u>	<u>\$6,610,000</u>	<u>\$230,000</u>	<u>\$7,261,837</u>	<u>\$24,376,837</u>

Note 17 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$856	\$0	\$4,442	\$5,298
Unclaimed Monies	1,726	0	0	1,726
Total Nonspendable	<u>2,582</u>	<u>0</u>	<u>4,442</u>	<u>7,024</u>

(continued)

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 17 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$34,928	\$34,928
Building Construction	0	0	152,712	152,712
Debt Retirement	0	1,051,473	0	1,051,473
Food Service Operations	0	0	381,456	381,456
Network Connectivity	0	0	7,200	7,200
Permanent Improvements	0	0	231,353	231,353
Regular Instruction	0	0	72,688	72,688
School Facilities Maintenance	0	0	564,411	564,411
Special Instruction	0	0	1,697	1,697
Total Restricted	0	1,051,473	1,446,445	2,497,918
Assigned for:				
Educational Activities	25,775	0	0	25,775
Extracurricular Activities	7,402	0	0	7,402
Unpaid Obligations	187,257	0	0	187,257
Total Assigned	220,434	0	0	220,434
Unassigned (Deficit)	1,178,653	0	(154,678)	1,023,975
Total Fund Balance	\$1,401,669	\$1,051,473	\$1,296,209	\$3,749,351

Note 18 - Set Asides

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 18 - Set Asides (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2013.

	Capital Improvements
Balance June 30, 2012	\$0
Current Year Set Aside Requirement	315,035
Qualifying Expenditures	(141,533)
Current Year Offsets	(173,502)
Balance June 30, 2013	\$0

Note 19 - Interfund Transfers

During fiscal year 2013, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$41,406, to move receipts as debt payments came due.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$15,890 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$240,281 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 21 - Jointly Governed Organizations

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

The School District is a participant in the North Central Ohio Computer Cooperative/Heartland Council of Governments (NCOCC), which is a computer consortium. NCOCC is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NCOCC consists of the superintendent from each member school district. During fiscal year 2013, the School District paid \$110,775 to NCOCC for various services. Financial information can be obtained from North Central Ohio Computer Cooperative/Heartland Council of Governments, 1495 West Longview Avenue, Suite 100, Mansfield, Ohio 44906.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 21 - Jointly Governed Organizations (continued)

B. Pioneer Career and Technology Center

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

C. Metropolitan Educational Council

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

Note 22 - Insurance Pools

A. Ohio School Plan

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

B. Crawford-Wyandot Health Benefit Plan

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

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 23 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

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

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 113,732	\$ 113,732
Cash Assistance:			
School Breakfast Program	10.553	216,820	216,820
National School Lunch Program	10.555	437,108	437,108
Special Milk Program for Children	10.556	677	677
Cash Assistance Subtotal:		<u>654,605</u>	<u>654,605</u>
Total Child Nutrition Cluster		<u>768,337</u>	<u>768,337</u>
State Administrative Expenses for Child Nutrition	10.560	4,965	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>773,302</u>	<u>768,337</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	537,085	547,073
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	455,882	446,216
Special Education-Preschool Grants (IDEA Preschool)	84.173	14,654	14,805
Total Special Education Cluster		<u>470,536</u>	<u>461,021</u>
Rural Education	84.358	27,229	18,277
Improving Teacher Quality State Grants	84.367	79,642	77,105
ARRA-School Improvement Grants, Recovery Act	84.388	-	1,379
ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	74,394	81,125
Education Jobs Fund	84.410	29,552	44,490
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,218,438</u>	<u>1,230,470</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 1,991,740</u>	<u>\$ 1,998,807</u>

The accompanying notes are an integral part of this schedule.

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galion City School District, Crawford County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 3, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Galion City School District's, Crawford County, Ohio (the District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Galion City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Galion City School District, Crawford County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 3, 2014

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Child Nutrition Cluster</u> CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program CFDA #10.556 – Special Milk Program for Children <u>Special Education Cluster</u> CFDA #84.027 – Special Education-Grants to States (IDEA, Part B) CFDA #84.173 – Special Education-Preschool Grants (IDEA Preschool)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 14, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 3, 2014

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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
APRIL 1, 2014**