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Members of the Board
Galion City School District
470 Portland Way North
Galion, OH 44833

We have reviewed the *Independent Auditor's Report* of Galion City School District, Crawford County, prepared by Julian & Grube, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Galion City School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

February 27, 2023

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Independent Auditor's Report

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

To the Members of the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galion City School District, Crawford County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Galion City School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Galion City School District, as of June 30, 2022, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Galion City School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Galion City School District. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Galion City School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Galion City School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Galion City School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, schedules of net pension and other postemployment benefit assets and liabilities and pension and other post-employment benefit contributions*, listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Galion City School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022 on our consideration of the Galion City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Galion City School District's 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 Galion City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 28, 2022

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

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 9,329,439
Cash in segregated accounts	7,695
Receivables:	
Property taxes	6,383,379
Payment in lieu of taxes	3,000
Accounts	6,283
Accrued interest	1,132
Intergovernmental	399,457
Prepayments	442,453
Materials and supplies inventory	2,213
Inventory held for resale	13,643
Net OPEB asset	1,504,816
Capital assets:	
Nondepreciable capital assets	1,052,095
Depreciable capital assets, net	40,199,657
Capital assets, net	<u>41,251,752</u>
Total assets	<u>59,345,262</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	276,371
Pension	4,798,055
OPEB	613,477
Total deferred outflows of resources	<u>5,687,903</u>
Liabilities:	
Accounts payable	121,745
Accrued wages and benefits payable	1,628,919
Intergovernmental payable	453,996
Accrued interest payable	29,662
Long-term liabilities:	
Due within one year	1,302,622
Due in more than one year:	
Net pension liability	11,808,535
Net OPEB liability	1,418,203
Other amounts due in more than one year	<u>12,387,542</u>
Total liabilities	<u>29,151,224</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	3,481,945
Payment in lieu of taxes levied for the next fiscal year	3,000
Pension	9,783,354
OPEB	2,691,131
Total deferred inflows of resources	<u>15,959,430</u>
Net position:	
Net investment in capital assets	29,419,129
Restricted for:	
Classroom facilities maintenance	441,474
Debt service	2,346,387
Locally funded programs	18,689
State funded programs	25,140
Federally funded programs	308,973
Food service operations	453,412
Student activities	110,893
Other purposes	234,507
Unrestricted (deficit)	<u>(13,436,093)</u>
Total net position	<u>\$ 19,922,511</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 8,421,261	\$ 93,772	\$ 1,012,397	\$ -	\$ (7,315,092)
Special	5,287,827	133,031	3,627,210	-	(1,527,586)
Support services:					
Pupil	1,324,206	-	350,742	-	(973,464)
Instructional staff	1,068,269	-	443,436	-	(624,833)
Board of education	289,375	-	104,987	-	(184,388)
Administration	1,763,408	-	32,167	-	(1,731,241)
Fiscal	576,929	2,247	756	-	(573,926)
Operations and maintenance	2,498,651	1,264	61,598	-	(2,435,789)
Pupil transportation	1,251,384	-	158,823	-	(1,092,561)
Central	168,362	-	38,039	-	(130,323)
Operation of non-instructional services:					
Food service operations	1,172,086	70,571	1,246,432	-	144,917
Other non-instructional services	68,071	-	72,880	-	4,809
Extracurricular activities	870,088	226,386	64,716	70,615	(508,371)
Interest and fiscal charges	397,235	-	-	-	(397,235)
Totals	\$ 25,157,152	\$ 527,271	\$ 7,214,183	\$ 70,615	(17,345,083)
General revenues:					
Property taxes levied for:					
General purposes					4,828,276
Debt service					1,237,285
Classroom facilities maintenance					72,091
Payments in lieu of taxes					10,089
Grants and entitlements not restricted to specific programs					12,346,126
Investment earnings					16,739
Change in fair value of investments					(127,481)
Miscellaneous					175,822
Total general revenues					18,558,947
Change in net position					1,213,864
Net position at beginning of year					18,708,647
Net position at end of year					\$ 19,922,511

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,708,167	\$ 1,913,061	\$ 2,706,158	\$ 9,327,386
Cash in segregated accounts	7,695	-	-	7,695
Receivables:				
Property taxes	4,948,169	1,362,004	73,206	6,383,379
Payment in lieu of taxes	-	-	3,000	3,000
Accounts	5,944	-	339	6,283
Accrued interest	1,132	-	-	1,132
Intergovernmental	18,356	-	381,101	399,457
Prepayments	175,664	-	266,789	442,453
Materials and supplies inventory	-	-	2,213	2,213
Inventory held for resale	-	-	13,643	13,643
Due from other funds	152,613	-	-	152,613
Restricted assets:				
Equity in pooled cash and cash equivalents	2,053	-	-	2,053
Total assets	<u>\$ 10,019,793</u>	<u>\$ 3,275,065</u>	<u>\$ 3,446,449</u>	<u>\$ 16,741,307</u>
Liabilities:				
Accounts payable	\$ 56,732	\$ -	\$ 65,013	\$ 121,745
Accrued wages and benefits payable	1,431,394	-	197,525	1,628,919
Compensated absences payable	75,622	-	-	75,622
Intergovernmental payable	422,783	-	31,213	453,996
Due to other funds	-	-	152,613	152,613
Total liabilities	<u>1,986,531</u>	<u>-</u>	<u>446,364</u>	<u>2,432,895</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	2,664,072	778,662	39,211	3,481,945
Payment in lieu of taxes levied for the next fiscal year	-	-	3,000	3,000
Delinquent property tax revenue not available	501,617	127,037	7,419	636,073
Intergovernmental revenue not available	18,356	-	107,182	125,538
Accrued interest not available	312	-	-	312
Total deferred inflows of resources	<u>3,184,357</u>	<u>905,699</u>	<u>156,812</u>	<u>4,246,868</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	2,213	2,213
Prepays	175,664	-	266,789	442,453
Unclaimed monies	2,053	-	-	2,053
Scholarships	-	-	207,464	207,464
Restricted:				
Debt service	-	2,369,366	-	2,369,366
Classroom facilities maintenance	-	-	434,055	434,055
Food service operations	-	-	472,667	472,667
State funded programs	-	-	25,140	25,140
Federally funded programs	-	-	1,089	1,089
Extracurricular activities	-	-	110,893	110,893
Scholarships	-	-	24,990	24,990
Other purposes	-	-	18,689	18,689
Committed:				
Capital improvements	-	-	1,368,977	1,368,977
Termination benefits	305,420	-	-	305,420
Assigned:				
Student instruction	2,233	-	-	2,233
Student and staff support	12,631	-	-	12,631
Extracurricular activities	1,698	-	-	1,698
Public school support	22,079	-	-	22,079
Technology	260,438	-	-	260,438
Unassigned (deficit)	4,066,689	-	(89,693)	3,976,996
Total fund balances	<u>4,848,905</u>	<u>2,369,366</u>	<u>2,843,273</u>	<u>10,061,544</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,019,793</u>	<u>\$ 3,275,065</u>	<u>\$ 3,446,449</u>	<u>\$ 16,741,307</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total governmental fund balances		\$ 10,061,544
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		41,251,752
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 636,073	
Accrued interest receivable	312	
Intergovernmental receivable	125,538	
Total		761,923
Unamortized premiums on bonds issued are not recognized in the funds.		(483,994)
Unamortized amounts on refundings are not recognized in the funds.		276,371
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(29,662)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	4,798,055	
Deferred inflows - pension	(9,783,354)	
Net pension liability	(11,808,535)	
Deferred outflows - OPEB	613,477	
Deferred inflows - OPEB	(2,691,131)	
Net OPEB asset	1,504,816	
Net OPEB liability	(1,418,203)	
Total		(18,784,875)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(10,244,313)	
Notes payable	(1,505,000)	
Compensated absences	(1,381,235)	
Total		(13,130,548)
Net position of governmental activities		<u><u>\$ 19,922,511</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 4,870,812	\$ 1,235,500	\$ 72,719	\$ 6,179,031
Intergovernmental	14,075,497	284,832	5,078,484	19,438,813
Investment earnings	12,366	4,193	1,033	17,592
Tuition and fees	226,803	-	-	226,803
Extracurricular	18,993	-	209,640	228,633
Charges for services	-	-	71,835	71,835
Contributions and donations	20,075	-	43,519	63,594
Payment in lieu of taxes	-	-	10,089	10,089
Miscellaneous	205,512	-	80,555	286,067
Change in fair value of investments	(127,481)	-	-	(127,481)
Total revenues	<u>19,302,577</u>	<u>1,524,525</u>	<u>5,567,874</u>	<u>26,394,976</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,695,685	-	1,003,516	8,699,201
Special	3,218,408	-	2,045,655	5,264,063
Support services:				
Pupil	1,231,762	-	70,665	1,302,427
Instructional staff	644,341	-	419,778	1,064,119
Board of education	161,904	4,950	103,525	270,379
Administration	1,762,625	-	37,141	1,799,766
Fiscal	519,720	36,535	4,765	561,020
Operations and maintenance	1,669,979	-	229,617	1,899,596
Pupil transportation	1,120,933	-	8,291	1,129,224
Central	119,057	-	53,870	172,927
Operation of non-instructional services:				
Food service operations	-	-	1,133,853	1,133,853
Other non-instructional services	-	-	63,426	63,426
Extracurricular activities	596,540	-	243,467	840,007
Facilities acquisition and construction	32,230	-	360,050	392,280
Debt service:				
Principal retirement	22,255	810,000	221,915	1,054,170
Interest and fiscal charges	901	332,695	51,444	385,040
Accretion on capital appreciation bonds	-	100,000	-	100,000
Total expenditures	<u>18,796,340</u>	<u>1,284,180</u>	<u>6,050,978</u>	<u>26,131,498</u>
Excess of revenues over (under) expenditures	<u>506,237</u>	<u>240,345</u>	<u>(483,104)</u>	<u>263,478</u>
Other financing sources (uses):				
Transfers in	-	39,219	530,659	569,878
Transfers (out)	(569,878)	-	-	(569,878)
Total other financing sources (uses)	<u>(569,878)</u>	<u>39,219</u>	<u>530,659</u>	<u>-</u>
Net change in fund balances	(63,641)	279,564	47,555	263,478
Fund balances at beginning of year	4,912,546	2,089,802	2,795,718	9,798,066
Fund balances at end of year	<u>\$ 4,848,905</u>	<u>\$ 2,369,366</u>	<u>\$ 2,843,273</u>	<u>\$ 10,061,544</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds	\$	263,478
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 445,482	
Current year depreciation	(2,531,700)	
Total		(2,086,218)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(41,379)	
Earnings on investments	180	
Miscellaneous	(32,909)	
Intergovernmental	2,428	
Total		(71,680)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,154,170
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) decrease in accrued interest payable	1,816	
Accreted interest on capital appreciation bonds	(39,283)	
Amortization of bond premiums	59,056	
Amortization of deferred charges	(33,784)	
Total		(12,195)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,703,901	
OPEB	50,861	
Total		1,754,762
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	86,996	
OPEB	123,195	
Total		210,191
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		1,356
Change in net position of governmental activities	\$	1,213,864

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 4,820,525	\$ 4,823,021	\$ 4,949,041	\$ 126,020
Intergovernmental	13,398,042	13,404,983	13,755,239	350,256
Investment earnings	11,434	11,440	11,739	299
Tuition and fees	220,870	220,984	226,758	5,774
Extracurricular	5,955	5,958	6,114	156
Contributions and donations	159	159	163	4
Miscellaneous	503,912	504,173	517,346	13,173
Total revenues	<u>18,960,897</u>	<u>18,970,718</u>	<u>19,466,400</u>	<u>495,682</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,396,853	8,818,884	7,629,923	1,188,961
Special	3,167,372	3,776,294	3,267,174	509,120
Support services:				
Pupil	1,189,022	1,417,609	1,226,487	191,122
Instructional staff	631,256	752,614	651,147	101,467
Board of education	153,518	183,031	158,355	24,676
Administration	1,768,229	2,108,168	1,823,945	284,223
Fiscal	503,890	600,762	519,767	80,995
Operations and maintenance	1,603,862	1,912,202	1,654,399	257,803
Pupil transportation	1,080,867	1,288,662	1,114,925	173,737
Central	115,420	137,610	119,057	18,553
Extracurricular activities	545,213	650,029	562,392	87,637
Facilities acquisition and construction	28,143	33,554	29,030	4,524
Total expenditures	<u>18,183,645</u>	<u>21,679,419</u>	<u>18,756,601</u>	<u>2,922,818</u>
Excess of revenues over (under) expenditures	<u>777,252</u>	<u>(2,708,701)</u>	<u>709,799</u>	<u>3,418,500</u>
Other financing sources (uses):				
Refund of prior year's expenditures	75,369	75,408	77,378	1,970
Transfers (out)	(619,878)	(619,878)	(619,878)	-
Total other financing sources (uses)	<u>(544,509)</u>	<u>(544,470)</u>	<u>(542,500)</u>	<u>1,970</u>
Net change in fund balance	232,743	(3,253,171)	167,299	3,420,470
Fund balance at beginning of year	4,392,716	4,392,716	4,392,716	-
Prior year encumbrances appropriated	16,614	16,614	16,614	-
Fund balance at end of year	<u>\$ 4,642,073</u>	<u>\$ 1,156,159</u>	<u>\$ 4,576,629</u>	<u>\$ 3,420,470</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1847. The District serves an area of approximately thirty-two square miles and is located in Crawford, Morrow, and Richland Counties. It is staffed by 61 classified employees, 111 certified teaching personnel, and 19 administrative employees who provide services to 1,731 students and other community members. The District currently operates two elementary schools, a middle school, and a high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

Within the 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 District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

North Central Ohio Computer Cooperative/Heartland Council of Governments

The 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 2022, the District paid \$243,840 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.

Pioneer Career and Technology Center

The Pioneer 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 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.

Metropolitan Educational Council

The Metropolitan Education Council (MEC) is a purchasing cooperative made up of school districts, libraries, and related agencies. 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.

INSURANCE POOLS

Ohio School Plan

The 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. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Crawford-Wyandot Health Benefit Plan

The Crawford-Wyandot Health Benefit Plan (Plan) is a public entity shared risk pool consisting of six 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 district's 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, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

C. Basis of Presentation

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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

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 also use the accrual basis of accounting.

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for 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 District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow 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 funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

E. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Any budgetary modifications at the legal level of budgetary control may only be made by resolution of the Board of Education.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

F. Cash and Investments

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

During fiscal year 2022, investments were limited to negotiable certificates of deposits (negotiable CDs), commercial paper, U.S. government money market mutual fund, U.S Treasury notes, taxable municipal issue, Federal Home Loan Bank (FHLB) Securities, Federal Home Loan Mortgage Corporation (FHLMC) Securities, Federal National Mortgage Association (FNMA) Securities, and Federal Farm Credit Bank (FFCB) Securities. All of the District's investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2022 amounted to \$12,366, which includes \$2,625 assigned from other District funds.

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

An analysis of the District's deposits and investments at fiscal year end is provided in Note 4.

G. Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government wide financial statements and on the fund financial statements. On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis and is expended when purchased.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintained a capitalization threshold of \$2,500 during fiscal year 2022. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 60 years
Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 40 years
Vehicles	10 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

J. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund, financial statements, issuance costs, bond premiums, bond discounts, and charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

For advance refunding 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 accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow or inflows of resources.

K. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. The expenditures and liabilities related to these obligations are recognized in the governmental funds when they mature, for example, as a result of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and lease-purchase obligations are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned amounts include all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 could be used.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for scholarships and nonspendable unclaimed monies.

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

O. Prepaid Items

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

On the fund financial statements, reported prepayments is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

P. Estimates

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Q. 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.

R. Interfund Activity

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

S. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

T. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during the fiscal year.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2022, the District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the District's fiscal year 2022 financial statements. The District reported a capital lease obligation and lease-purchase agreement obligation at June 30, 2021, that have been reclassified as notes payable obligations at July 1, 2021.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2022 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA, Part B	\$ 63,214
Title I	17,071
Student Support and Academic Enrichment	9,408

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposits or savings or deposit accounts including, but not limited to, passbook accounts;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance (for a period not to exceed one-hundred eighty days) and commercial paper notes (for a period not to exceed two-hundred-seventy days) in an amount not to exceed forty percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash in Segregated Accounts

At June 30, 2022, \$7,695 was maintained in a depository account that the District established for funds related to employee flexible spending. This depository account is included in total amount of "Deposits with Financial Institutions" below.

B. Deposits with Financial Institutions

At June 30, 2022, the carrying amount of all District deposits was \$4,961,849 and the bank balance of all District deposits was \$5,034,092. Of the bank balance, \$88,039 was exposed to custodial risk as discussed below because those deposits were uninsured and collateralized and \$4,946,053 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2022, the District's financial institutions had a collateral rate through the OPCS of 102 percent. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2022, the District had the following investments and maturities:

Measurement/ Investment type	Measurement Amount	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FHLMC	\$ 117,153	\$ -	\$ -	\$ 98,807	\$ -	\$ 18,346
FNMA	189,116	-	-	96,355	-	92,761
FFCB	512,647	-	-	-	-	512,647
FHLB	584,415	-	-	-	180,445	403,970
U.S. Government money market mutual fund	20,692	20,692	-	-	-	-
Taxable municipal issue	99,963	99,963	-	-	-	-
Negotiable CDs	97,425	-	97,425	-	-	-
U.S. Treasury note	2,110,273	149,367	391,449	341,514	476,926	751,017
Commerical paper	643,601	545,223	98,378	-	-	-
Total	\$ 4,375,285	\$ 815,245	\$ 587,252	\$ 536,676	\$ 657,371	\$ 1,778,741

The weighted average maturity of investments is 1.89 years.

The District's investments in U.S Government money market mutual funds are valued using quoted market prices (Level 1 inputs). The District's investments in federal agency securities (FHLMC, FNMA, FFCB, FHLB), negotiable CDs, U.S. Treasury notes, taxable municipal issues and commercial paper are valued using quoted market prices that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either direct or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in federal securities (FHLMC, FNMA, FFCB, FHLB) and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. U.S. Treasury notes were rated Aaa by Moody's Investor Services. Commercial paper investments were rated A-1 and A-1+ by Standard & Poor's and P-1 by Moody's Investor Services. Taxable municipal issue was rated SP-1+ by Standard & Poor's Investor Services. The negotiable CDs are not rated but are fully insured by the FDIC. Standard & Poor's has assigned the U.S. government money market mutual fund an AAAM money market rating. The District has no investment policy dealing with credit risk.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FHLB, FHLMC, FFCB and FNMA securities, and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. The negotiable CD's are fully insured by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2022:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FHLMC	\$ 117,153	2.68
FNMA	189,116	4.32
FFCB	512,647	11.72
FHLB	584,415	13.36
U.S. government money market mutual fund	20,692	0.47
Taxable municipal issue	99,963	2.28
Negotiable CDs	97,425	2.23
U.S. Treasury note	2,110,273	48.23
Commercial paper	643,601	14.71
Total	<u>\$ 4,375,285</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Financial Statements

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the financial statements as of June 30, 2022:

Cash and investments per note

Carrying amount of deposits	\$ 4,961,849
Investments	<u>4,375,285</u>
Total	<u>\$ 9,337,134</u>

Cash and investments per financial statements

Governmental activities	<u>\$ 9,337,134</u>
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NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2022, consisted of the following, as reported on the fund statements:

Transfers from the general fund to:

	<u>Amount</u>
Bond retirement fund	\$ 39,219
Nonmajor governmental fund	<u>530,659</u>
	<u>\$ 569,878</u>

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

All transfers made in fiscal year 2022 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Due from/to other funds consisted of the following at June 30, 2022, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor Governmental Funds	<u>\$ 152,613</u>

The balance resulted from a negative cash balance in the ESSER fund (a nonmajor governmental fund), the Title I fund (a nonmajor governmental fund), the student support and academic enrichment fund (a nonmajor governmental fund), the improving teacher quality fund (a nonmajor governmental fund) and the miscellaneous federal grants fund (a nonmajor governmental fund) at fiscal year end. The balances are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2022 represent the collection of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed values as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2021 represent the collection of calendar year 2021 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2020, were levied after April 1, 2021, 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 District receives property taxes from Crawford, Morrow, and Richland Counties. The County auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available as an advance at June 30, 2022 was \$1,782,480 in the general fund, \$456,305 in the bond retirement fund and \$26,576 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2021 was \$1,860,709 in the general fund, \$429,587 in the bond retirement fund and \$27,710 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 171,967,960	96.71	\$ 192,474,260	96.76
Public utility personal	<u>5,853,040</u>	<u>3.29</u>	<u>6,437,450</u>	<u>3.24</u>
Total	<u>\$ 177,821,000</u>	<u>100.00</u>	<u>\$ 198,911,710</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 59.83		\$ 59.83	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2022 consisted of taxes, payment in lieu of taxes, accounts, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 6,383,379
Payments in lieu of taxes	3,000
Accounts	6,283
Accrued interest	1,132
Intergovernmental	<u>399,457</u>
Total governmental activities	<u>\$ 6,793,251</u>

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

NOTE 8 - PAYMENT IN LIEU OF TAXES

In accordance with agreements related to tax increment financing districts, 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 District. Each property owner contractually promises to make these payments in lieu of taxes until the agreement expires.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,052,095	\$ -	\$ -	\$ 1,052,095
Construction in progress	461,751	27,583	(489,334)	-
Total capital assets, not being depreciated	<u>1,513,846</u>	<u>27,583</u>	<u>(489,334)</u>	<u>1,052,095</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	12,167,177	837,714	-	13,004,891
Buildings and improvements	58,354,719	15,000	-	58,369,719
Furniture and equipment	4,245,876	51,319	-	4,297,195
Vehicles	1,636,923	3,200	-	1,640,123
Total capital assets, being depreciated	<u>76,404,695</u>	<u>907,233</u>	<u>-</u>	<u>77,311,928</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(8,876,567)	(629,856)	-	(9,506,423)
Buildings and improvements	(21,399,820)	(1,521,960)	-	(22,921,780)
Furniture and equipment	(3,025,987)	(250,459)	-	(3,276,446)
Vehicles	(1,278,197)	(129,425)	-	(1,407,622)
Total accumulated depreciation	<u>(34,580,571)</u>	<u>(2,531,700)</u>	<u>-</u>	<u>(37,112,271)</u>
Total capital assets, being depreciated, net	<u>41,824,124</u>	<u>(1,624,467)</u>	<u>-</u>	<u>40,199,657</u>
Governmental activities capital assets, net	<u>\$ 43,337,970</u>	<u>\$ (1,596,884)</u>	<u>\$ (489,334)</u>	<u>\$ 41,251,752</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 637,132
Special	385,540
Support Services:	
Pupil	95,389
Instructional staff	77,936
Board of Education	19,802
Administration	131,815
Fiscal	41,089
Operations and maintenance	695,480
Pupil transportation	212,130
Central	12,665
Operation of non-instructional services:	
Other non-instructional services	4,645
Food service operations	83,044
Extracurricular activities	135,033
Total depreciation expense	<u>\$ 2,531,700</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM OBLIGATIONS

- A. Due to the implementation of GASB Statement No. 87 (see Note 3.A for detail), the District has reported a notes payable obligation at July 1, 2021, which was reported in the prior year as a capital lease obligation and lease-purchase agreement. During the fiscal year 2022, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due in One Year
Governmental activities:					
<u>General Obligation Bonds:</u>					
Energy conservation bonds					
FY2011 - Serial bonds 4.25%	\$ 175,000	\$ -	\$ (35,000)	\$ 140,000	\$ 35,000
School improvement refunding bonds					
FY2013 - Serial bonds 1-3%	5,500,000	-	(655,000)	4,845,000	655,000
School improvement refunding					
Bonds FY2014:					
Term bonds 2.25-4%	1,815,000	-	(90,000)	1,725,000	70,000
Serial bonds 1-4%	3,375,000	-	-	3,375,000	-
Capital appreciation bonds - 14.52%	65,000	-	(30,000)	35,000	35,000
Accretion on capital					
appreciation bonds	185,030	39,283	(100,000)	124,313	124,313
Total general obligation bonds	<u>11,115,030</u>	<u>39,283</u>	<u>(910,000)</u>	<u>10,244,313</u>	<u>919,313</u>
<u>Other Long-Term Obligations:</u>					
Notes payable:					
Bus garage/athletic fields-direct borrowing	1,695,000	-	(190,000)	1,505,000	195,000
Buses and computer equipment	54,170	-	(54,170)	-	-
Net pension liability	22,039,145	-	(10,230,610)	11,808,535	-
Net OPEB liability	1,526,084	-	(107,881)	1,418,203	-
Compensated Absences	1,382,591	219,491	(145,225)	1,456,857	188,309
Total other long-term obligations	<u>26,696,990</u>	<u>219,491</u>	<u>(10,727,886)</u>	<u>16,188,595</u>	<u>383,309</u>
Total governmental activities	<u>\$ 37,812,020</u>	<u>\$ 258,774</u>	<u>\$ (11,637,886)</u>	26,432,908	<u>\$ 1,302,622</u>
Add: unamortized premiums on refundings				483,994	
Total on statement of net position				<u>\$ 26,916,902</u>	

Net Pension Liability - See Note 12 for detail on the net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service, which is primarily the general fund.

Net OPEB Liability/Asset - See Note 13 for detail on the net OPEB liability/asset. The District pays obligations related to employee compensation from the fund benefitting from their service, which is primarily the general fund.

Compensated Absences - Compensated absences will be paid from the fund which the employees' salaries are paid which, for the District, is primarily the general fund.

- B. FY2011 Energy Conservation Bonds - On November 16, 2010 the District issued \$566,044 in unvoted general obligation bonds for modifications and remodeling of the 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 fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The bonds are subject to extraordinary optional redemption, by and at the sole option of the 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.

The following is a summary of the District's future annual debt service requirements to maturity for the FY2011 energy conservation bonds:

<u>Fiscal Year</u>	<u>FY2011 Energy Conservation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	35,000	5,206	40,206
2024	35,000	3,718	38,718
2025	35,000	2,232	37,232
2026	35,000	744	35,744
Total	<u>\$ 140,000</u>	<u>\$ 11,900</u>	<u>\$ 151,900</u>

- C. FY2013 School Improvement Refunding Bonds - On June 13, 2013, the 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 original amount of \$9,070,000 and \$230,000, respectively. The bonds were issued for a sixteen year period, with final maturity in fiscal year 2029. The bonds are being retired through the bond retirement fund.

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 District, either in whole or in part 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 matured during fiscal year 2021. The maturity amount of the bonds was \$655,000. The refunded bonds are fully retired.

The following is a summary of the District's future annual debt service requirements to maturity for the FY2013 school improvement refunding bonds:

<u>Fiscal Year Ending June 30,</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 655,000	\$ 119,154	\$ 774,154
2024	670,000	104,239	774,239
2025	680,000	88,122	768,122
2026	685,000	70,972	755,972
2027	705,000	52,288	757,288
2028 - 2029	<u>1,450,000</u>	<u>43,047</u>	<u>1,493,047</u>
Total	<u>\$ 4,845,000</u>	<u>\$ 477,822</u>	<u>\$ 5,322,822</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- D. FY2014 School improvement Refunding Bonds** - On May 7, 2014, the District issued bonds, in the amount of \$6,900,000, to currently refund bonds previously issued in fiscal year 2004 for the construction of two elementary schools, a middle school, and a high school, and to partially refund bonds previously issued in fiscal year 2007 for the construction of two elementary schools, a middle school, and a high school. The refunding bond issue includes serial, term and capital appreciation bonds, in the original amount of \$4,855,000, \$1,905,000 and \$140,000, respectively. The bonds were issued for an eighteen year period, with final maturity in fiscal year 2032. The bonds are being retired through the bond retirement fund.

The serial bonds maturing on or after December 1, 2024, are subject to prior redemption on or after June 1, 2024, by and at the sole option of the District, either in whole or in part and an 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 term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 10 percent of the principal amount redeemed, plus accrued interest to the date of redemption. The remaining principal, in the amount of \$70,000, 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	\$240,000

The remaining principal, in the amount of \$250,000, 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	\$ 275,000

The remaining principal, in the amount of \$280,000, 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	\$ 290,000

The remaining principal, in the amount of \$320,000, will be paid at stated maturity on December 1, 2028.

The capital appreciation bonds are not subject to prior redemption. The remaining capital appreciation bonds will mature in fiscal years 2022 through 2023. The maturity amount of the bonds is \$570,000. For fiscal year 2022, \$39,283 was accreted on the capital appreciation bonds for a total value of \$159,313 at fiscal year end.

The refunded bonds were fully retired.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the FY2014 school improvement refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 70,000	\$ 191,538	\$ 261,538	\$ 35,000	\$ 140,000	\$ 175,000
2024	240,000	187,150	427,150	-	-	-
2025	250,000	179,800	429,800	-	-	-
2026	275,000	171,925	446,925	-	-	-
2027	280,000	163,600	443,600	-	-	-
2028 - 2032	3,985,000	500,900	4,485,900	-	-	-
Total	<u>\$ 5,100,000</u>	<u>\$ 1,394,913</u>	<u>\$ 6,494,913</u>	<u>\$ 35,000</u>	<u>\$ 140,000</u>	<u>\$ 175,000</u>

- E. *Notes payable-bus garage/athletic fields:* During a prior fiscal year, the District entered into a notes payable with U.S. Bank ("the Lessor") to provide a new bus garage complex and athletic fields. The District borrowed \$2,045,000 on October 26, 2018, at an interest rate of 3.32%. The notes payable is being repaid in installments over a ten-year period, beginning June 1, 2019. Notes payable payments are made from the permanent improvement fund (a nonmajor governmental fund). Notes payable payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

The notes payable agreement is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. In conjunction with the notes payable agreement, the District and the Lessor have entered into a Ground Lease agreement whereby the District has leased to the Lessor, under a Ground Lease, the Project Site and the Lessor has subleased the Project Site, and the facilities already located and/or to be constructed thereon (the "Project Facilities") back to the District under the terms of the notes payable agreement. The Project Site and Project Facilities are collateral for the debt as, in the event of default or "Nonappropriation of Funds", the Lessor shall have the right to occupy the Project Site and Project Facilities and/or assign the Ground Lease. The notes payable agreement provides that in the Board of Education should appropriate funds for the base rent, as defined in the lease, due in each succeeding fiscal year. Failure to appropriate within the allotted time frame is a default under the agreement and cause the agreement to terminate.

Capital assets consisting of buildings and improvements and land improvements have been capitalized in the amount of \$1,517,496 and \$489,334, respectively. This amount represents the present value of the minimum notes payable payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2022 totaled \$190,000 and \$53,120, respectively, paid by the permanent improvement fund (a nonmajor governmental fund).

The following is a summary of the District's future annual debt service requirements to maturity for the notes payable-bus garage/athletic fields:

Fiscal Year Ending June 30,	Notes Payable		
	Principal	Interest	Total
2023	\$ 195,000	\$ 46,729	\$ 241,729
2024	200,000	40,172	240,172
2025	210,000	33,366	243,366
2026	215,000	26,311	241,311
2027	220,000	19,090	239,090
2028 - 2029	465,000	15,521	480,521
Total	<u>\$ 1,505,000</u>	<u>\$ 181,189</u>	<u>\$ 1,686,189</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. Notes payable-buses and computer equipment: In prior fiscal years, the District entered into notes payable agreement for buses and computer equipment. Notes payable payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. At June 30, 2022, these items acquired by the debt issuance total \$95,758 and have not been capitalized due to each item being under the capitalization threshold. Capital assets acquired by debt issuance have been capitalized in the amount of \$264,910. Accumulated depreciation as of June 30, 2022 was \$128,047, leaving a current book value of \$136,863. During fiscal year 2022, the District made principal payments of \$54,170, paid by the general and permanent improvement funds. During fiscal year 2022, the District fulfilled its long-term debt obligations for the notes payable agreement for buses and computer equipment.

G. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2022, are a voted debt margin of \$10,291,420 (including available funds of \$2,369,366), and an unvoted debt margin of \$198,912.

NOTE 11 - RISK MANAGEMENT

The 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 2022, the District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Property Coverage:	
Blanket buildings and contents	\$ 101,462,158
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 2022, the 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 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 11 - RISK MANAGEMENT - (Continued)

The District participates in the Crawford-Wyandot Health Benefit Plan (Plan), a public entity shared risk pool consisting of six school districts. The 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.

The District also provides vision insurance through VSP, administered by Crawford-Wyandot Health Benefit Plan.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability/Asset

The net pension liability/asset and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$410,599 for fiscal year 2022. Of this amount, \$35,180 is reported as intergovernmental payable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$1,293,302 for fiscal year 2022. Of this amount, \$209,512 is reported as intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.06758190%	0.07261041%	
Proportion of the net pension liability current measurement date	<u>0.07271600%</u>	<u>0.07137179%</u>	
Change in proportionate share	<u>0.00513410%</u>	<u>-0.00123862%</u>	
Proportionate share of the net pension liability	\$ 2,683,010	\$ 9,125,525	\$ 11,808,535
Pension expense	\$ (60,553)	\$ (26,443)	\$ (86,996)

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 259	\$ 281,934	\$ 282,193
Changes of assumptions	56,496	2,531,585	2,588,081
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	197,923	25,957	223,880
Contributions subsequent to the measurement date	<u>410,599</u>	<u>1,293,302</u>	<u>1,703,901</u>
Total deferred outflows of resources	<u>\$ 665,277</u>	<u>\$ 4,132,778</u>	<u>\$ 4,798,055</u>

**GALION CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 69,581	\$ 57,199	\$ 126,780
Net difference between projected and actual earnings on pension plan investments	1,381,830	7,864,456	9,246,286
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>75,395</u>	<u>334,893</u>	<u>410,288</u>
Total deferred inflows of resources	<u>\$ 1,526,806</u>	<u>\$ 8,256,548</u>	<u>\$ 9,783,354</u>

\$1,703,901 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	\$ (291,150)	\$ (1,394,536)	\$ (1,685,686)
2024	(228,289)	(1,163,369)	(1,391,658)
2025	(328,550)	(1,234,567)	(1,563,117)
2026	<u>(424,139)</u>	<u>(1,624,600)</u>	<u>(2,048,739)</u>
Total	<u>\$ (1,272,128)</u>	<u>\$ (5,417,072)</u>	<u>\$ (6,689,200)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.50%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.50% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.50%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 4,463,869	\$ 2,683,010	\$ 1,181,133

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.45%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 17,088,693	\$ 9,125,525	\$ 2,396,665

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 12 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$50,861.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$50,861 for fiscal year 2022. Of this amount, \$50,861 is reported as intergovernmental payable.

**GALION CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB			
liability/asset prior measurement date	0.07021880%	0.07261041%	
Proportion of the net OPEB			
liability/asset current measurement date	<u>0.07493480%</u>	<u>0.07137179%</u>	
Change in proportionate share	<u>0.00471600%</u>	<u>-0.00123862%</u>	
Proportionate share of the net			
OPEB liability	\$ 1,418,203	\$ -	\$ 1,418,203
Proportionate share of the net			
OPEB asset	\$ -	\$ (1,504,816)	\$ (1,504,816)
OPEB expense	\$ (30,742)	\$ (92,453)	\$ (123,195)

**GALION CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 15,115	\$ 53,584	\$ 68,699
Changes of assumptions	222,484	96,122	318,606
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	140,289	35,022	175,311
Contributions subsequent to the measurement date	50,861	-	50,861
Total deferred outflows of resources	<u>\$ 428,749</u>	<u>\$ 184,728</u>	<u>\$ 613,477</u>
	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 706,327	\$ 275,708	\$ 982,035
Net difference between projected and actual earnings on OPEB plan investments	30,813	417,109	447,922
Changes of assumptions	194,212	897,733	1,091,945
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	156,643	12,586	169,229
Total deferred inflows of resources	<u>\$ 1,087,995</u>	<u>\$ 1,603,136</u>	<u>\$ 2,691,131</u>

\$50,861 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	\$ (177,241)	\$ (398,368)	\$ (575,609)
2024	(177,459)	(387,930)	(565,389)
2025	(161,608)	(398,817)	(560,425)
2026	(131,319)	(175,283)	(306,602)
2027	(59,485)	(59,279)	(118,764)
Thereafter	(2,995)	1,269	(1,726)
Total	<u>\$ (710,107)</u>	<u>\$ (1,418,408)</u>	<u>\$ (2,128,515)</u>

**GALION CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021 are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	1.92%
Prior measurement date	2.45%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	2.27%
Prior measurement date	2.63%
Medical trend assumption:	
Current measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,757,325	\$ 1,418,203	\$ 1,147,288
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,091,900	\$ 1,418,203	\$ 1,854,043

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	June 30, 2021		June 30, 2020	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.00%	4.00%	5.00%	4.00%
Medicare	-16.18%	4.00%	-6.69%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	6.50%	4.00%
Medicare	29.98%	4.00%	11.87%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,269,832	\$ 1,504,816	\$ 1,701,110
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,693,156	\$ 1,504,816	\$ 1,271,916

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 14 - OTHER EMPLOYEE BENEFITS - (Continued)

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

B. Health Care Benefits

The District offers medical and dental insurance to most employees through the Crawford-Wyandot Health Benefit Plan. The 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 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**GALION CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 167,299
Net adjustment for revenue accruals	(193,468)
Net adjustment for expenditure accruals	96,079
Net adjustment for other sources/uses	(77,378)
Funds budgeted elsewhere **	(61,930)
Adjustment for encumbrances	<u>5,757</u>
GAAP basis	<u>\$ (63,641)</u>

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the unclaimed monies fund, the severance pay fund, the school projects fund, the special trust fund and the faculty funds.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either a plaintiff or defendant.

NOTE 17 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2021	\$ -
Current year set-aside requirement	290,990
Current year qualifying expenditures	(242,327)
Current year offsets	<u>(615,673)</u>
Total	<u>\$ (567,010)</u>
Balance carried forward to fiscal year 2023	<u>\$ -</u>
Set-aside balance June 30, 2022	<u>\$ -</u>

NOTE 19 - TAX ABATEMENTS

The District's property taxes were reduced as follows under community reinvestment area and enterprise zone agreements entered into by overlapping governments.

During fiscal year 2022, the District's property tax revenues were reduced as follows:

	<u>Amount of Fiscal Year 2022 Taxes Abated</u>		
<u>Overlapping Government</u>	<u>CRA</u>	<u>EZAs</u>	<u>Total</u>
City of Galion	<u>\$ 41,161</u>	<u>\$ 15,007</u>	<u>\$ 56,168</u>

NOTE 20 - DONOR RESTRICTED ENDOWMENTS

The District's nonmajor governmental funds include donor restricted endowments and contributions held in trust for scholarships. Endowments reflected as nonspendable scholarships, in the amount of \$207,464, represent principal portions, which are to remain intact. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$24,990 and is included as restricted for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment or contribution's intent, net appreciation, realized and unrealized, unless the endowment or contribution terms specify otherwise. The endowments and contributions indicate that the interest should be used to provide a scholarship each year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 21 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 5,757
Nonmajor governmental	<u>367,005</u>
Total	<u>\$ 372,762</u>

**GALION CITY SCHOOL DISTRICT
CRAWFORD COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER/ ADDITIONAL AWARD IDENTIFICATION	CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
School Breakfast Program	10.553	2022	\$ 299,203
National School Lunch Program	10.555	2022	661,398
COVID-19 - National School Lunch Program	10.555	COVID-19, 2022	31,802
National School Lunch Program - Food Donation	10.555	2022	68,559
Total National School Lunch Program			761,759
Summer Food Service Program for Children	10.559	2022	64,088
Total Child Nutrition Cluster			1,125,050
Child and Adult Care Food Program	10.558	2022	5,510
COVID-19 - Child and Adult Care Food Program	10.558	COVID-19, 2022	1,577
Total Child and Adult Care Food Program			7,087
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	COVID-19, 2022	614
Total U.S. Department of Agriculture			1,132,751
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies - School Quality Improvement	84.010A	84.010A, 2021	1,789
Title I Grants to Local Educational Agencies	84.010A	84.010A, 2022	504,493
Title I Grants to Local Educational Agencies - School Quality Improvement	84.010A	84.010A, 2022	178,226
Title I Grants to Local Educational Agencies - Expanding Opportunities for Each Child Non-Competitive Grant	84.010A	84.010A, 2022	16,370
Title I Grants to Local Educational Agencies - Supplemental School Improvement Non-Competitive Grant	84.010A	84.010A, 2022	22,215
Total Title I Grants to Local Educational Agencies			723,093
Special Education Cluster (IDEA):			
Special Education_Grants to States (IDEA, Part B)	84.027A	84.027A, 2021	29,941
Special Education_Grants to States (IDEA, Part B)- Restoration	84.027A	84.027A, 2021	5,600
Special Education_Grants to States (IDEA, Part B)	84.027A	84.027A, 2022	442,359
COVID-19 - Special Education_Grants to States (IDEA, Part B)- ARP	84.027X	COVID-19, 84.027X, 2022	75,020
Total Special Education_Grants to States (IDEA, Part B)			552,920
Special Education_Preschool Grants (IDEA, Preschool) - Restoration	84.173A	84.173A, 2021	494
Special Education_Preschool Grants (IDEA, Preschool)	84.173A	84.173A, 2022	12,864
Total Special Education_Preschool Grants (IDEA, Preschool)			13,358
Total Special Education Cluster (IDEA)			566,278
Supporting Effective Instruction State Grants	84.367A	84.367A, 2022	76,593
Comprehensive Literacy Development	84.371C	84.371C, 2021	21,231
Comprehensive Literacy Development	84.371C	84.371C, 2022	76,432
Total Comprehensive Literacy Development			97,663
Student Support and Academic Enrichment Program	84.424A	84.424A, 2022	40,543
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	COVID-19, 84.425D, 2022	1,783,515
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	COVID-19, 84.425D, 2022	379,447
Total Education Stabilization Fund (ESF)			2,162,962
Total U.S. Department of Education			3,667,132
Total Federal Financial Assistance			\$ 4,799,883

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Galion City School District under programs of the federal government for the fiscal year ended June 30, 2022 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Galion City School District, it is not intended to and does not present the financial position or changes in net position the Galion City School District. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 – DE MINIMIS COST RATE

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Galion City School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - CHILD NUTRITION CLUSTER

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

NOTE 4 – FOOD DONATION PROGRAM

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

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

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

To the Members of the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galion City School District, Crawford County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Galion City School District's basic financial statements, and have issued our report thereon dated December 28, 2022, wherein we noted as described in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Galion City School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Galion City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Galion City School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Galion City School District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Galion City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Galion City School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Galion City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
December 28, 2022

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance
Required by the Uniform Guidance**

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

To the Members of the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Galion City School District's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Galion City School District's major federal programs for the fiscal year ended June 30, 2022. The Galion City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

In our opinion, the Galion City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Galion City School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Galion City School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Galion City School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Galion City School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Galion City School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Galion City School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Galion City School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Galion City School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 28, 2022

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material weaknesses in internal control reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	COVID-19 – Educational Stabilization Fund, ALN 84.425
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR § 200.511(b)

JUNE 30, 2022

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2021-001	2021	<u>Noncompliance/Significant Deficiency</u> – Ohio Rev. Code § 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. The District had disbursements exceeding appropriations in the General and Elementary and Secondary School Emergency Relief Funds for the fiscal year ended June 30, 2021.	Corrected	N/A
2021-002	2021	<u>Noncompliance/Significant Deficiency</u> – Ohio Rev. Code § 5705.40 outlines the requirements for amending and supplementing appropriations. This section states that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations. The District did not properly modify its appropriations throughout the year.	Corrected	N/A
2021-003	2021	<u>Noncompliance/Significant Deficiency</u> – Ohio Rev. Code § 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The District had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, in the Elementary and Secondary School Emergency Relief fund for the fiscal year ended June 30, 2021.	Corrected	N/A