

**GENEVA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2005**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

January 10, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**Auditor of State  
Betty Montgomery**

Board of Education  
Geneva Area City School District  
135 S. Eagle Street  
Geneva, Ohio 44041

We have reviewed the *Report of Independent Accountants* of the Geneva Area City School District, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. 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. The Geneva Area City School District is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

December 29, 2006

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**GENEVA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
For the Year Ending June 30, 2005**

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*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Geneva Area City School District  
Ashtabula County  
135 Eagle Street  
Geneva, OH 44041-4831

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Geneva Area City School District, Ashtabula County, Ohio, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 Geneva Area City School District, Ashtabula County, Ohio, as of June 30, 2005, and the changes in financial position and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

***Charles E. Harris & Associates, Inc.***

November 28, 2006

**Geneva Area City School District**  
**Ashtabula County**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
*Unaudited*

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As management of the Geneva Area City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- For governmental activities, net assets increased over \$3.5 million, which represents a 35% increase from 2004.
- General revenues accounted for \$22 million in revenue or 86% of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.5 million or 14% of total governmental revenues of \$25.6 million.
- The School District had \$22 million in expenses related to governmental activities; only \$3.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and grants and entitlements not restricted to specific programs) of \$22 million were adequate to provide for these programs.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of \$18 million, a decrease of \$10.3 million from the prior year due to the spend down on the construction project.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District basic financial statements comprise three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

***Government-wide Financial Statements*** The government-wide financial statements are designed to provide reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

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The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned by unused vacation leave). Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the School District include instruction, supporting service, operation of non-instructional services, extracurricular activities, and interest and fiscal charges. The government-wide financial statements can be found on pages 12-13 of this report.

***Fund Financial Statements.*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The School District, like the state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

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

The basic fund financial statements can be found on pages 14-17 of this report.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on page 19-20 of this report.

***Notes to the Financial Statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-47 of this report.

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**Government-wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the School District as a whole. A comparative analysis is presented below.

Net Assets

|  | <u>Governmental Activities</u> |                      |
|--|--------------------------------|----------------------|
|  | <u>2005</u>                    | <u>2004</u>          |
| <b>Assets:</b>                                     |                                |                      |
| Current and other assets                           | \$ 25,567,787                  | \$ 37,377,036        |
| Capital assets                                     | <u>19,391,224</u>              | <u>6,119,293</u>     |
| Total assets                                       | <u>44,959,011</u>              | <u>43,496,329</u>    |
| <br><b>Liabilities:</b>                            |                                |                      |
| Current liabilities                                | 6,972,101                      | 7,951,605            |
| Long-term liabilities                              | <u>24,373,776</u>              | <u>25,488,853</u>    |
| Total liabilities                                  | <u>31,345,877</u>              | <u>33,440,458</u>    |
| <br><b>Net Assets:</b>                             |                                |                      |
| Invested in capital assets, net<br>of related debt | 6,214,060                      | 4,118,233            |
| Restricted net assets                              | 3,967,864                      | 24,626,017           |
| Unrestricted net assets                            | <u>3,431,210</u>               | <u>(18,688,379)</u>  |
| Total net assets                                   | <u>\$ 13,613,134</u>           | <u>\$ 10,055,871</u> |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets exceeded liabilities by \$13.6 million at June 30, 2005.

A portion of the School District's net assets, \$6.21 million, reflects its investment in capital assets (e.g., land, buildings, equipments, furniture, and vehicles), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the School District's net assets, \$3.97 million or 29.1%, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$1.78, or 13.1%, is restricted for debt service payments; \$1.7 million, or 12.5%, is restricted for capital projects; and a small amount, \$.48 million or 3.5%, is restricted for other purposes. The remaining significant balance of government-wide unrestricted net assets of \$3.43 may be used to meet the government's ongoing obligations to students and staff.

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The table below shows the change in net assets for fiscal years 2005 and 2004.

Changes in Net Assets

|   | <u>Governmental Activities</u> |                      |
|---|--------------------------------|----------------------|
|   | <u>2005</u>                    | <u>2004</u>          |
| <b>Revenues</b>                         |                                |                      |
| Program revenues:                       |                                |                      |
| Charges for services and sales          | \$ 1,591,299                   | \$ 1,536,457         |
| Operating grants and contributions      | 1,964,919                      | 2,014,802            |
| Capital grants and contributions        | 24,341                         | 93,797               |
| General revenues:                       |                                |                      |
| Property taxes                          | 7,964,153                      | 8,176,840            |
| Grants and entitlements                 | 12,819,146                     | 12,579,619           |
| Investment earnings                     | 1,048,769                      | 591,024              |
| Payments in lieu of taxes               | 184,783                        | -                    |
| Miscellaneous                           | 63,099                         | 116,089              |
| Total revenues                          | <u>25,660,509</u>              | <u>25,108,628</u>    |
| <b>Expenses</b>                         |                                |                      |
| Instruction:                            |                                |                      |
| Regular                                 | 8,800,654                      | 10,006,893           |
| Special                                 | 2,407,520                      | 2,591,272            |
| Vocational                              | 353,554                        | 319,269              |
| Other                                   | 845,205                        | 778,067              |
| Support services:                       |                                |                      |
| Pupils                                  | 1,127,079                      | 1,374,734            |
| Instructional staff                     | 605,659                        | 625,436              |
| Board of education                      | 15,267                         | 11,107               |
| Administration                          | 1,563,463                      | 1,537,976            |
| Fiscal                                  | 449,704                        | 486,230              |
| Business                                | 38,264                         | 41,031               |
| Operation and maintenance of plant      | 1,807,462                      | 1,771,323            |
| Pupil transportation                    | 1,329,575                      | 1,355,980            |
| Central                                 | 973                            | 4,357                |
| Operation of non-instructional services | 1,159,901                      | 1,385,453            |
| Extracurricular activities              | 538,134                        | 570,239              |
| Fiscal and interest charges             | 1,060,832                      | 1,174,832            |
| Loss of sales of capital assets         | -                              | 115,579              |
| Total expenses                          | <u>\$ 22,103,246</u>           | <u>\$ 24,149,778</u> |
| Increase (decrease) in net assets       | \$ 3,557,263                   | \$ 958,850           |

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***Governmental Activities***

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$7.9 million in 2005. General revenues from grants and entitlements, such as the school foundation program, generated over \$12 million. With the combination of taxes and intergovernmental funding 81% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of the above table reflects the total cost of instructional services was \$12,406,933 or 56.1% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses decreased \$1,288,568, or 9.4% as compared to the prior year.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$1,732,738, or 7.8% of the total governmental program expenses. Expenses to provide these programs decreased \$267,432, or 13.37%, as compared to fiscal year 2004.

Board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost to provide these programs was \$2,066,698, or 9.35% of governmental program expenses. Costs of these programs decreased \$9,646, or .46%, as compared to the prior year.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$1,807,462 or 8.18% of the governmental program expenses. These expenses increased \$36,139, or 2.04% as compared to fiscal year 2004.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,329,575 or 6.02% of the total governmental program expenditures. Expenses for providing this program decreased \$26,405, or 1.95% as compared to the prior year.

The decreases in the above expenses are mainly due to a decrease in accrued expenditures for the current fiscal year.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table below shows, for government activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Geneva Area City School District**  
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|                                      | Governmental Activities   |                           |                         |                         |
|--------------------------------------|---------------------------|---------------------------|-------------------------|-------------------------|
|                                      | Total Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services | Net Cost<br>of Services |
|                                      | <u>2005</u>               | <u>2004</u>               | <u>2005</u>             | <u>2004</u>             |
| <b><u>Program Expenses:</u></b>      |                           |                           |                         |                         |
| Instruction:                         |                           |                           |                         |                         |
| Regular                              | \$ 8,800,654              | \$ 10,006,893             | \$ (7,589,787)          | \$ (8,805,053)          |
| Special                              | 2,407,520                 | 2,591,272                 | (1,569,214)             | (2,001,311)             |
| Vocational                           | 353,554                   | 319,269                   | (353,554)               | (286,886)               |
| Other                                | 845,205                   | 778,067                   | (839,360)               | (768,725)               |
| Support services:                    |                           |                           |                         |                         |
| Pupils                               | 1,127,079                 | 1,374,734                 | (1,036,481)             | (1,182,162)             |
| Instructional staff                  | 605,659                   | 625,436                   | (491,506)               | (535,702)               |
| Board of education                   | 15,267                    | 11,107                    | (15,267)                | (11,107)                |
| Administration                       | 1,563,463                 | 1,537,976                 | (1,474,432)             | (1,452,922)             |
| Fiscal                               | 449,704                   | 486,230                   | (423,677)               | (486,230)               |
| Business                             | 38,264                    | 41,031                    | (33,861)                | (41,031)                |
| Operation and maintenance of plant   | 1,807,462                 | 1,771,323                 | (1,763,063)             | (1,731,482)             |
| Pupil transportation                 | 1,329,575                 | 1,355,980                 | (1,305,234)             | (1,328,975)             |
| Central                              | 973                       | 4,357                     | (973)                   | (4,357)                 |
| Operation non-instructional services | 1,159,901                 | 1,385,453                 | (184,745)               | (148,105)               |
| Extracurricular activities           | 538,134                   | 570,239                   | (380,701)               | (430,263)               |
| Interest and fiscal charges          | 1,060,832                 | 1,174,832                 | (1,060,832)             | (1,174,832)             |
| Loss on sale of capital assets       | -                         | 115,579                   | -                       | (115,579)               |
| Total                                | <u>\$ 22,103,246</u>      | <u>\$ 24,149,778</u>      | <u>\$ (18,522,687)</u>  | <u>\$ (20,504,722)</u>  |

**Financial Analysis of the Government's Funds**

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$25,856,443 and total expenditures and other financing uses were \$36,202,171. The net change in fund balance was significant in the general fund with an increase of \$1,509,392. This increase is attributed to continuing expense cuts.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2005, the School District amended its general fund budget as expenditure priorities changed according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

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For the general fund, the final budget basis revenue estimate was \$19,930,483, representing a slight increase from the original budget estimate of \$19,256,525. Actual receipts of \$19,930,266 were very close to the final budget basis revenue estimate.

The original expenditure budget of \$21,035,703 was revised during the fiscal year with a final budget amount of \$21,167,998. Actual expenditures plus encumbrances reported significant variances as compared to the original and final expenditure budgets. The School District ended the year at approximately \$1.3 million under budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the School District had \$19,391,224 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2005 balances compared to fiscal year 2004.

Capital Assets, at Fiscal Year End  
(Net of depreciation)

|                                   | <u>Governmental Activities</u> |                    |
|-----------------------------------|--------------------------------|--------------------|
|                                   | <u>2005</u>                    | <u>2004</u>        |
| Land                              | \$ 1,316,273                   | \$ 1,316,273       |
| Buildings and improvements        | 392,505                        | 452,476            |
| Other improvements                | 217,960                        | 247,818            |
| Furniture, fixtures and equipment | 744,784                        | 881,345            |
| Vehicles                          | 970,488                        | 939,181            |
| Construction in progress          | <u>15,749,214</u>              | <u>2,282,200</u>   |
| Total capital assets              | <u>\$19,391,224</u>            | <u>\$6,119,293</u> |

The most significant change in capital assets reported by the School District during the year was for the capitalization of costs for continued construction of the new high school and the purchase of three new school buses. See Note 6 to the basic financial statements for detail on the School District's capital assets.

**Debt** At June 30, 2005, the School District had \$22,564,990 in general obligation bonds. Of this total, \$720,000 is due within one year and \$21,844,990 is due more than one year. The following table summarizes the bonds outstanding.



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Outstanding Debt at Fiscal Year End

|                           | <u>Governmental Activities</u> |                      |
|---------------------------|--------------------------------|----------------------|
|                           | <u>2005</u>                    | <u>2004</u>          |
| General obligation bonds: |                                |                      |
| Library construction      | \$ 765,000                     | \$ 865,000           |
| School improvement        | <u>21,799,990</u>              | <u>22,409,990</u>    |
| Total capital assets      | <u>\$ 22,564,990</u>           | <u>\$ 23,274,990</u> |

The School District retired \$710,000 of general obligation bonds in fiscal year 2004. Additional information on the School District's short-term debt and long-term debt can be found in Note 13 of the basic financial statements.

**Set-Aside Requirements**

For fiscal year 1999, a change in Ohio law required school districts to set aside 2% of certain revenues for capital improvements and an additional 2% for textbooks; this amount was increased to 3% beginning in fiscal year 2000. For fiscal year 2005, this amounted to \$409,801 for each set aside. The School District carried \$583,315 forward to fiscal year 2006.

**Current Financial Related Activities**

Geneva Area City School District is strong financially. As the preceding information shows, the School District heavily depends on its property taxpayers and State aid. The School District has been fortunate in that it has not had to ask its voters for additional operating revenue since 1993. However, financially, the future is not without challenges. Management must diligently plan expenses, staying carefully within the School District's five-year forecast. Even with spending controls in place, the School District realizes that it may need to seek additional operating millage for 2007.

Declining state foundation payments due to increased property valuations provide no significant increase in future revenues. This decline is due to the increasing valuation charge-offs in determining state foundation payments. The increases in property tax revenues are almost offset to decreases in state foundation payments. With its major sources of revenue not keeping pace with expenditure increases, the School District must seek additional tax revenues to continue current operations. However, the School District cannot look to the State of Ohio for increased revenue.

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

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

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Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. In conclusion, the School District's system of budgeting and internal controls is well regarded.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kevin Lillie, Treasurer at Geneva Area City School District, 135 South Eagle Street, Geneva, Ohio 44041.

**Geneva Area City School District**

**Statement of Net Assets**

**June 30, 2005**

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <u>Assets:</u>                                  |                                    |
| Equity in pooled cash and cash equivalents      | \$ 16,792,993                      |
| Cash and cash equivalents:                      |                                    |
| In segregated accounts                          | 15,000                             |
| Receivables:                                    |                                    |
| Taxes   | 8,110,001                          |
| Accounts  | 182,973                            |
| Intergovernmental                               | 97,666                             |
| Accrued interest                                | 225,041                            |
| Prepaid items                                   | 81,693                             |
| Inventory held for resale                       | 4,571                              |
| Materials and supplies inventory                | 57,849                             |
| Capital assets:                                 |                                    |
| Land and construction in progress               | 17,065,487                         |
| Depreciable capital assets, net                 | 2,325,737                          |
| Total capital assets                            | <u>19,391,224</u>                  |
| Total assets                                    | <u>44,959,011</u>                  |
| <br><u>Liabilities:</u>                         |                                    |
| Accounts payable                                | 954,286                            |
| Accrued wages and benefits                      | 840,777                            |
| Compensated absences payable                    | 26,955                             |
| Intergovernmental payable                       | 586,121                            |
| Deferred revenue                                | 4,473,948                          |
| Accrued interest payable                        | 75,014                             |
| Matured bonds payable                           | 15,000                             |
| Long-term liabilities:                          |                                    |
| Due within one year                             | 1,162,076                          |
| Due in more than one year                       | 23,211,700                         |
| Total liabilities                               | <u>31,345,877</u>                  |
| <br><u>Net assets:</u>                          |                                    |
| Invested in capital assets, net of related debt | 6,214,060                          |
| Restricted for:                                 |                                    |
| Capital projects                                | 1,700,196                          |
| Debt service                                    | 1,784,610                          |
| Other purposes                                  | 483,058                            |
| Unrestricted                                    | <u>3,431,210</u>                   |
| Total net assets                                | <u>\$ 13,613,134</u>               |

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

|   | Expenses             | Program Revenues     |  |                                  | Net (Expense)                      |
|---|----------------------|----------------------|--|----------------------------------|------------------------------------|
|   |                      | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants and Contributions | Revenues and Changes in Net Assets |
|   |                      |                      |  |                                  | Governmental Activities            |
| <u>Governmental Activities:</u>                             |                      |                      |  |                                  |                                    |
| Instruction:  |                      |                      |  |                                  |                                    |
| Regular   | \$ 8,800,654         | \$ 935,090           | \$ 275,777                                   | \$ -                             | \$ (7,589,787)                     |
| Special   | 2,407,520            | -                    | 838,306                                      | -                                | (1,569,214)                        |
| Vocational  | 353,554              | -                    | -  | -                                | (353,554)                          |
| Other   | 845,205              | -                    | 5,845  | -                                | (839,360)                          |
| Support services:   |                      |                      |  |                                  |                                    |
| Pupils  | 1,127,079            | -                    | 90,598                                       | -                                | (1,036,481)                        |
| Instructional staff   | 605,659              | -                    | 114,153                                      | -                                | (491,506)                          |
| Board of education  | 15,267               | -                    | -  | -                                | (15,267)                           |
| Administration  | 1,563,463            | -                    | 89,031                                       | -                                | (1,474,432)                        |
| Fiscal  | 449,704              | -                    | 26,027                                       | -                                | (423,677)                          |
| Business  | 38,264               | 4,403                | -  | -                                | (33,861)                           |
| Operation and maintenance of plant                          | 1,807,462            | -                    | 44,399                                       | -                                | (1,763,063)                        |
| Pupil transportation  | 1,329,575            | -                    | -  | 24,341                           | (1,305,234)                        |
| Central   | 973                  | -                    | -  | -                                | (973)                              |
| Operation of non-instructional services                     | 1,159,901            | 512,043              | 463,113                                      | -                                | (184,745)                          |
| Extracurricular activities                                  | 538,134              | 139,763              | 17,670                                       | -                                | (380,701)                          |
| Interest and fiscal charges                                 | 1,060,832            | -                    | -  | -                                | (1,060,832)                        |
| Total governmental activities                               | <u>\$ 22,103,246</u> | <u>\$ 1,591,299</u>  | <u>\$ 1,964,919</u>                          | <u>\$ 24,341</u>                 | <u>(18,522,687)</u>                |
| <u>General Revenues:</u>                                    |                      |                      |  |                                  |                                    |
| Property taxes levied for:                                  |                      |                      |  |                                  |                                    |
| General purposes  |                      |                      |  |                                  | 6,123,764                          |
| Debt service  |                      |                      |  |                                  | 1,667,024                          |
| Capital outlay  |                      |                      |  |                                  | 173,365                            |
| Grants and entitlements not restricted to specific programs |                      |                      |  |                                  | 12,819,146                         |
| Investment earnings   |                      |                      |  |                                  | 1,048,769                          |
| Payment in lieu of taxes                                    |                      |                      |  |                                  | 184,783                            |
| Miscellaneous   |                      |                      |  |                                  | 63,099                             |
| Total general revenues                                      |                      |                      |  |                                  | <u>22,079,950</u>                  |
| Change in net assets  |                      |                      |  |                                  | 3,557,263                          |
| Net assets beginning of year                                |                      |                      |  |                                  | 10,055,871                         |
| Net assets end of year                                      |                      |                      |  |                                  | <u>\$ 13,613,134</u>               |

See accompanying notes to the basic financial statements.

**Geneva Area City School District**

**Balance Sheet**

**Governmental Funds**

**June 30, 2005**

|   | General<br>Fund      | Construction<br>Project | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-------------------------|--------------------------------|--------------------------------|
| <u>Assets:</u>  |                      |                         |                                |                                |
| Equity in pooled cash and cash equivalents              | \$ 3,371,281         | \$ 9,691,958            | \$ 3,146,439                   | \$ 16,209,678                  |
| Cash and cash equivalents with fiscal agent             | -                    | -                       | 15,000                         | 15,000                         |
| Receivables:  |                      |                         |                                |                                |
| Taxes   | 6,016,667            | -                       | 2,093,334                      | 8,110,001                      |
| Accounts  | 141,158              | -                       | 41,815                         | 182,973                        |
| Intergovernmental                                       | -                    | -                       | 97,666                         | 97,666                         |
| Interfund   | 2,343                | -                       | -                              | 2,343                          |
| Accrued interest  | 86,816               | 138,225                 | -                              | 225,041                        |
| Inventory held for resale                               | -                    | -                       | 4,571                          | 4,571                          |
| Materials and supplies inventory                        | 55,454               | -                       | 2,395                          | 57,849                         |
| Prepaid items   | 66,824               | 13,642                  | 1,227                          | 81,693                         |
| Equity in pooled cash and cash equivalents (restricted) | 583,315              | -                       | -                              | 583,315                        |
| <b>Total assets</b>                                     | <b>\$ 10,323,858</b> | <b>\$ 9,843,825</b>     | <b>\$ 5,402,447</b>            | <b>\$ 25,570,130</b>           |
| <u>Liabilities:</u>                                     |                      |                         |                                |                                |
| Accounts payable  | \$ 23,621            | \$ 918,369              | \$ 12,296                      | \$ 954,286                     |
| Accrued wages and benefits                              | 766,555              | -                       | 74,222                         | 840,777                        |
| Interfund payable                                       | -                    | -                       | 2,343                          | 2,343                          |
| Intergovernmental payable                               | 527,411              | -                       | 58,710                         | 586,121                        |
| Compensated absences payable                            | 26,955               | -                       | -                              | 26,955                         |
| Matured bonds payable                                   | -                    | -                       | 15,000                         | 15,000                         |
| Deferred revenue  | 3,684,537            | -                       | 1,419,610                      | 5,104,147                      |
| <b>Total liabilities</b>                                | <b>5,029,079</b>     | <b>918,369</b>          | <b>1,582,181</b>               | <b>7,529,629</b>               |
| <u>Fund balances:</u>                                   |                      |                         |                                |                                |
| Reserved for:   |                      |                         |                                |                                |
| Encumbrances  | 135,979              | 7,158,797               | 91,970                         | 7,386,746                      |
| Property taxes  | 2,416,038            | -                       | 709,460                        | 3,125,498                      |
| Budgetary   | 358,077              | -                       | -                              | 358,077                        |
| Textbooks   | 225,238              | -                       | -                              | 225,238                        |
| Unreserved, undesignated, reported in:                  |                      |                         |                                |                                |
| General fund  | 2,159,447            | -                       | -                              | 2,159,447                      |
| Special revenue funds                                   | -                    | -                       | 358,875                        | 358,875                        |
| Debt service fund                                       | -                    | -                       | 1,193,264                      | 1,193,264                      |
| Capital projects funds                                  | -                    | 1,766,659               | 1,466,697                      | 3,233,356                      |
| <b>Total fund balances</b>                              | <b>5,294,779</b>     | <b>8,925,456</b>        | <b>3,820,266</b>               | <b>18,040,501</b>              |
| <b>Total liabilities and fund balances</b>              | <b>\$ 10,323,858</b> | <b>\$ 9,843,825</b>     | <b>\$ 5,402,447</b>            | <b>\$ 25,570,130</b>           |

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2005**

|  |                    |                      |
|--|--------------------|----------------------|
| Total governmental fund balances   |                    | \$ 18,040,501        |
| Amounts reported for governmental activities in the statement of net assets are different because:   |                    |                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                                |                    | 19,391,224           |
| Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:                          |                    |                      |
| Property taxes receivable  | \$ 532,533         |                      |
| Intergovernmental receivables  | <u>97,666</u>      |                      |
|  |                    | 630,199              |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. |                    | (75,014)             |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:                                  |                    |                      |
| General obligation bonds   | \$ (22,564,990)    |                      |
| Accretion of capital appreciation bonds  | (150,763)          |                      |
| Compensated absences   | <u>(1,658,023)</u> |                      |
| Total  |                    | <u>(24,373,776)</u>  |
| Net assets of governmental activities  |                    | <u>\$ 13,613,134</u> |

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2005**

|  | General<br>Fund     | Construction<br>Project | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------|--------------------------------|--------------------------------|
| <u>Revenues:</u>                             |                     |                         |                                |                                |
| Taxes  | \$ 6,096,666        | \$ 190,139              | \$ 1,657,235                   | \$ 7,944,040                   |
| Intergovernmental                            | 12,614,493          | -                       | 2,171,293                      | 14,785,786                     |
| Interest                                     | 217,592             | 848,249                 | 29,153                         | 1,094,994                      |
| Tuition and fees                             | 928,952             | -                       | 6,139                          | 935,091                        |
| Extracurricular activities                   | -                   | -                       | 139,761                        | 139,761                        |
| Gifts and donations                          | -                   | -                       | 18,170                         | 18,170                         |
| Customer sales and service                   | 4,403               | -                       | 512,043                        | 516,446                        |
| Rent   | 240                 | -                       | -                              | 240                            |
| Payment in lieu of taxes                     | 69,365              | 115,418                 | -                              | 184,783                        |
| Miscellaneous                                | 58,459              | 4,400                   | -                              | 62,859                         |
| Total revenues                               | <u>19,990,170</u>   | <u>1,158,206</u>        | <u>4,533,794</u>               | <u>25,682,170</u>              |
| <u>Expenditures:</u>                         |                     |                         |                                |                                |
| Current:                                     |                     |                         |                                |                                |
| Instruction:                                 |                     |                         |                                |                                |
| Regular                                      | 8,588,646           | -                       | 316,793                        | 8,905,439                      |
| Special                                      | 1,734,480           | -                       | 671,156                        | 2,405,636                      |
| Vocational                                   | 322,126             | -                       | -                              | 322,126                        |
| Other  | 840,205             | -                       | 5,000                          | 845,205                        |
| Support services:                            |                     |                         |                                |                                |
| Pupils                                       | 982,110             | -                       | 77,304                         | 1,059,414                      |
| Instructional staff                          | 482,063             | -                       | 105,035                        | 587,098                        |
| Board of education                           | 15,267              | -                       | -                              | 15,267                         |
| Administration                               | 1,433,070           | -                       | 77,185                         | 1,510,255                      |
| Fiscal                                       | 389,104             | -                       | 47,962                         | 437,066                        |
| Business                                     | 38,264              | -                       | -                              | 38,264                         |
| Operation and maintenance of plant           | 1,741,289           | -                       | 47,884                         | 1,789,173                      |
| Pupil transportation                         | 1,154,533           | -                       | -                              | 1,154,533                      |
| Central                                      | 973                 | -                       | -                              | 973                            |
| Operation of non-instructional services      | 28,310              | -                       | 1,102,305                      | 1,130,615                      |
| Extracurricular activities                   | 359,130             | -                       | 164,311                        | 523,441                        |
| Capital outlay                               | 196,935             | 13,467,014              | 17,961                         | 13,681,910                     |
| Debt service:                                |                     |                         |                                |                                |
| Principal retirement                         | -                   | 610,000                 | 100,000                        | 710,000                        |
| Interest and fiscal charges                  | -                   | 866,390                 | 45,093                         | 911,483                        |
| Total expenditures                           | <u>18,306,505</u>   | <u>14,943,404</u>       | <u>2,777,989</u>               | <u>36,027,898</u>              |
| Excess of revenues over (under) expenditures | <u>1,683,665</u>    | <u>(13,785,198)</u>     | <u>1,755,805</u>               | <u>(10,345,728)</u>            |
| <u>Other financing sources (uses):</u>       |                     |                         |                                |                                |
| Transfers in                                 | -                   | -                       | 174,273                        | 174,273                        |
| Transfers out                                | (174,273)           | -                       | -                              | (174,273)                      |
| Total other financing sources (uses)         | <u>(174,273)</u>    | <u>-</u>                | <u>174,273</u>                 | <u>-</u>                       |
| Net change in fund balances                  | 1,509,392           | (13,785,198)            | 1,930,078                      | (10,345,728)                   |
| Fund balances beginning of year, as restated | 3,785,387           | 22,710,654              | 1,890,188                      | 28,386,229                     |
| Fund balances end of year                    | <u>\$ 5,294,779</u> | <u>\$ 8,925,456</u>     | <u>\$ 3,820,266</u>            | <u>\$ 18,040,501</u>           |

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**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, 2005**

Net change in fund balances - total governmental funds \$ (10,345,728)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

|   |    |            |            |
|---|----|------------|------------|
| Capital asset additions                                     | \$ | 13,681,910 |            |
| Depreciation expense  |    | (405,754)  |            |
|   |    |            |            |
| Excess of capital asset additions over depreciation expense |    |            | 13,276,156 |

The disposal of capital assets results in the removal of capital assets at cost and the difference in their carrying value to cost, if immaterial, is charged to the program as an expense in the statement of activities. (4,225)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

|   |    |          |          |
|---|----|----------|----------|
| Property taxes                                  | \$ | 20,114   |          |
| Intergovernmental                               |    | 3,673    |          |
| Interest  |    | (45,448) |          |
|   |    |          |          |
| Net change in deferred revenues during the year |    |          | (21,661) |

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 710,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

|                                  |    |        |        |
|----------------------------------|----|--------|--------|
| Decrease in compensated absences | \$ | 92,070 |        |
| Decrease in accrued interest     |    | 1,414  |        |
|                                  |    |        |        |
| Total additional expenses        |    |        | 93,484 |

The accretion of capital appreciation bond is reflected as an expense in the statement of activities. (150,763)

Change in net assets of governmental activities \$ 3,557,263

See accompanying notes to the basic financial statements.



**Geneva Area City School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-**  
**Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2005**

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
| <u>Revenues:</u>                             |                     |                     |                     |   |
| Taxes  | \$ 6,030,573        | \$ 6,172,388        | \$ 6,172,387        | \$ (1)  |
| Intergovernmental                            | 12,160,428          | 12,614,493          | 12,614,493          | -   |
| Interest                                     | 110,000             | 135,823             | 136,055             | 232   |
| Tuition and fees                             | 879,109             | 929,191             | 928,952             | (239)   |
| Customer sales and service                   | 4,900               | 4,403               | 4,403               | -   |
| Rent   | -                   | 230                 | 240                 | 10  |
| Payment in lieu of taxes                     | 69,365              | 69,365              | 69,365              | -   |
| Miscellaneous                                | 2,150               | 4,590               | 4,371               | (219)   |
| Total revenues                               | <u>19,256,525</u>   | <u>19,930,483</u>   | <u>19,930,266</u>   | <u>(217)</u>  |
| <u>Expenditures:</u>                         |                     |                     |                     |   |
| Current:                                     |                     |                     |                     |   |
| Instruction:                                 |                     |                     |                     |   |
| Regular                                      | 10,014,216          | 9,823,482           | 9,363,946           | 459,536   |
| Special                                      | 2,042,411           | 2,047,999           | 1,883,573           | 164,426   |
| Vocational                                   | 369,574             | 380,956             | 350,795             | 30,161  |
| Other  | 806,162             | 856,000             | 840,596             | 15,404  |
| Support services:                            |                     |                     |                     |   |
| Pupils                                       | 1,203,942           | 1,231,114           | 1,102,648           | 128,466   |
| Instructional staff                          | 574,616             | 574,500             | 507,768             | 66,732  |
| Board of education                           | 14,400              | 20,600              | 15,267              | 5,333   |
| Administration                               | 1,538,482           | 1,723,000           | 1,646,892           | 76,108  |
| Fiscal                                       | 419,095             | 452,000             | 437,750             | 14,250  |
| Business                                     | 56,000              | 56,000              | 38,264              | 17,736  |
| Operation and maintenance of plant           | 2,055,214           | 1,978,894           | 1,823,110           | 155,784   |
| Pupil transportation                         | 1,444,297           | 1,535,107           | 1,401,821           | 133,286   |
| Central                                      | 4,000               | 4,100               | 2,143               | 1,957   |
| Operation of non-instructional services      | 23,800              | 29,700              | 29,614              | 86  |
| Extracurricular activities                   | 398,480             | 399,400             | 387,440             | 11,960  |
| Capital outlay                               | 71,014              | 55,146              | 49,752              | 5,394   |
| Total expenditures                           | <u>21,035,703</u>   | <u>21,167,998</u>   | <u>19,881,379</u>   | <u>1,286,619</u>  |
| Excess of revenues over (under) expenditures | <u>(1,779,178)</u>  | <u>(1,237,515)</u>  | <u>48,887</u>       | <u>1,286,402</u>  |
| <u>Other financing sources (uses):</u>       |                     |                     |                     |   |
| Refund of prior year expenditures            | 38,000              | 15,793              | 15,793              | -   |
| Refund of prior year receipts                | (2,000)             | (2,000)             | -                   | 2,000   |
| Advances in                                  | 16,744              | 16,744              | 16,744              | -   |
| Advances out                                 | (8,000)             | (50,000)            | (2,341)             | 47,659  |
| Transfers out                                | (205,000)           | (230,000)           | (174,273)           | 55,727  |
| Total other financing sources (uses)         | <u>(160,256)</u>    | <u>(249,463)</u>    | <u>(144,077)</u>    | <u>105,386</u>  |
| Net change in fund balance                   | (1,939,434)         | (1,486,978)         | (95,190)            | 1,391,788   |
| Fund balance at beginning of year            | 3,879,513           | 3,879,513           | 3,879,513           | -   |
| Prior year encumbrances appropriated         | 45,255              | 45,255              | 45,255              | -   |
| Fund balance at end of year                  | <u>\$ 1,985,334</u> | <u>\$ 2,437,790</u> | <u>\$ 3,829,578</u> | <u>\$ 1,391,788</u>                                     |

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2005**

|  | Private Purpose<br>Trusts |           |
|--|---------------------------|-----------|
|  | Scholarship               | Agency    |
| <u>Assets:</u>                             |                           |           |
| Equity in pooled cash and cash equivalents | \$ 43,640                 | \$ 96,169 |
| <u>Liabilities:</u>                        |                           |           |
| Accounts payable                           | \$ -                      | \$ 2,126  |
| Undistributed monies                       | -                         | 7,238     |
| Due to students                            | -                         | 86,805    |
| Total liabilities                          | -                         | \$ 96,169 |
| <u>Net assets:</u>                         |                           |           |
| Held in trust for scholarships             | 43,640                    |           |
| Total net assets                           | \$ 43,640                 |           |

See accompanying notes to the basic financial statements.

***Geneva Area City School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Fund**  
**For the Fiscal Year Ended June 30, 2005**

|                              | Private Purpose<br>Trust |
|------------------------------|--------------------------|
|                              | <u>Scholarship</u>       |
| <u>Additions:</u>            |                          |
| Interest                     | \$ 531                   |
| <u>Deductions:</u>           |                          |
| Scholarship awards           | <u>565</u>               |
| Change in net assets         | (34)                     |
| Net assets beginning of year | <u>43,674</u>            |
| Net assets end of year       | <u>\$ 43,640</u>         |

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Ashtabula County**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a city district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 2004, was 2,940. The School District employed 185 certified employees and 130 non-certificated employees.

The School District provides regular, vocational and special instruction. The School District also provides support services for pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. This report includes all activities considered by management to be part of the School District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

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A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization or (c) is obligated in some manner for the debt of the organization.

The Ashtabula County District Library (the Library) is a library created under Chapter 3375 of the Ohio Revised Code (ORC) and is located in the Geneva Area City School District. The Board of Trustees of the Library controls and manages the Library and issues its own financial statements, therefore, is excluded from these financial statements.

The School District may act as the Library's agent on debt issues required pursuant to Chapter 3375.431 of the ORC. In 1996, as requested by the Library, the School District issued, on behalf of the Library, bond anticipation notes in the amount of \$1,500,000, for the purpose of constructing, furnishing and equipping a new public library to be operated by the Ashtabula County District Library and improving its site.

The School District issued \$275,000 in general obligation bonds in April, 2002, and \$990,000 of general obligation bonds in May, 1997. The debt was issued for the purpose of the construction of a new library, as approved by the electorate in May 1995. Although the debt is issued on behalf of the Library, the bonds constitute indebtedness of the School District and are considered in determining the School District's debt limitations. Property tax revenues collected to retire the debt are paid directly to the School District, and the School District pays the interest and retires the debt.

However, the School District has no ability to influence the Library's operations, no accountability over the fiscal matters of the Library, nor any responsibility for the Library's deficits. Accordingly, other than the debt and the related property tax revenue referred to in the preceding paragraph, the Library's financial statements are not included herein.

The School District is associated with organizations which are defined as jointly governed organizations. These organizations are the Northeast Ohio Management Information Network, the Ashtabula County Schools Council of Governments, and the Ashtabula County Joint Vocational School District, which are presented in Note 14 to the basic financial statements.

Within the School District boundaries are two non-public schools, Assumption School and The Grand River Academy. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the non-public schools, as provided by State guidelines.

Management believes the financial statements included in this report represent all of the funds of the School District over which the Board of Education is financially accountable.

## **B. Fund Accounting**

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund type under the broad fund categories: governmental and fiduciary.

***Governmental Fund Types*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of “available spendable resources” during the period. The School District reports two major governmental funds as described below:

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

Construction Project Fund – This fund is used to account for the financial resources for the construction of a new high school facility.

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

### **C. Basis of Presentation**

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

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relation between the government-wide statements and the statements to governmental funds.

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

***Fund Financial Statements*** Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

The trust fund is reported using the economic resources measurement focus.

#### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary fund also use the accrual basis of accounting.

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 School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

#### **E. Budget and Budgetary Accounting**

The budgetary process is prescribed by provisions of Ohio Revised Code and entails the preparation of budgetary documents with an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at either its regular board meeting in December or its organizational board meeting in January. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
- 2) The County Budget Commission certifies its actions to the School District by March 1st. As part of this certification, the School District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this Certificate is amended to include any unencumbered balances from the preceding fiscal year.



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- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the legal level of control.
- 4) The School District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations for the General Fund are presented in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non-GAAP Basis)—General Fund" to provide a meaningful comparison of actual results with the budget.

***Encumbrances*** - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

***Lapsing of Appropriations*** - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

#### **F. Cash and Investments**

Cash received by the School District is pooled in various bank accounts with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During the fiscal year all investments were limited to certificates of deposit, instruments of government sponsored mortgage-backed securities, and repurchase agreements. Except for nonparticipating investments contracts, investments are reported at fair market value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and negotiable certificates of deposits are reported at cost.

#### **G. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and amounts required to be set aside for the purchase of textbooks and instructional materials. A fund balance reserve has also been established.

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**H. Inventories**

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of donated food, purchased food, and expendable supplies held for consumption. The cost of the governmental fund type inventories is recorded as expenditures when used (consumption method).

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**J. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 2005. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2005 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**K. Capital Assets**

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest incurred during the construction of capital assets is also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and improvements | 30-50 years            |
| Furniture                  | 20 years               |
| Equipment                  | 10-20 years            |
| Fixtures                   | 15 years               |
| Vehicles                   | 10 years               |

**L. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column of the statement of net assets.

**M. 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 as 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 from them are not resented on the financial statements.

**N. Compensated Absences**

The School District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave benefits are accrued as a liability using the vesting method. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment.

Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount. Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees’ rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

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The current portion of unpaid compensated absence, which expected to be paid using the available expendable resources, is reported on the governmental funds financial statements. The amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported in this statement.

**O. 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 are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences and special termination benefits 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 fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

**P. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, purchase of textbooks, budgetary and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budgetary represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

**Q. Net Assets**

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

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

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**R. Estimates**

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

**NOTE 2 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances –Budget (Non-GAAP Budget Basis) and Actual 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 GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

| Net Changes in Fund Balance             |                    |
|---|--------------------|
| GAAP basis                              | \$ 1,509,392       |
| Net adjustment for revenue accruals     | (27,367)           |
| Net adjustment for expenditure accruals | (1,454,097)        |
| Adjustment for encumbrances             | <u>(123,118)</u>   |
| Budget basis                            | <u>\$ (95,190)</u> |

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

**A. Changes in accounting principles**

For fiscal year 2005, the School District has implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosures”; and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers”.

**B. Restatement of fund balances**

As a result of the implementation of the Technical Bulletin certain beginning fund balances were required to be restated. These restatements involve reporting pension contribution liabilities on the governmental fund financial statements where beforehand were exclusively reported on the government-wide financial statements.

The restatement of fund balance is presented below:

|   | <u>General</u>      | <u>Construction<br/>Project</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>         |
|---|---------------------|---------------------------------|--|----------------------|
| Fund balances at<br>June 30, 2004           | \$ 3,901,364        | \$ 22,710,654                   | \$ 1,919,145                               | \$ 28,531,163        |
| Restatement of<br>intergovernmental payable | <u>(115,977)</u>    | <u>-</u>                        | <u>(28,957)</u>                            | <u>(144,934)</u>     |
| Restated fund balances<br>at July 1, 2004   | <u>\$ 3,785,387</u> | <u>\$ 22,710,654</u>            | <u>\$ 1,890,188</u>                        | <u>\$ 28,386,229</u> |

**NOTE 4 – CASH AND INVESTMENTS**

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

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Interim deposits are public 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.

Monies held by the School District which are not considered active are classified as interim. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District.
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
9. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed 25% of the interim monies available for investment at any one time.

Investments in stripped principal or interest, obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

***Cash on hand***

At fiscal year-end, the School District had \$2,075 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$7,050,727. The School District's bank balance of \$7,986,438 was covered by FDIC in the amount of \$910,278 and the remaining balance was exposed to custodial credit risk as follows:

|   |              |
|---|--------------|
| Uninsured and collateral held by pledging bank's<br>trust department and in the District's name | \$ 7,076,160 |
|---|--------------|

***Investments***

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

| <u>Investment type</u>                 | <u>Fair Value</u> | <u>Maturity</u> | <u>Rating</u>      |
|--|-------------------|-----------------|--------------------|
| Repurchase agreements                  | \$ 895,000        | Daily           | N/A <sup>(1)</sup> |
| Federal Home Loan Mortgage Corporation | 5,000,000         | 11/28/2006      | A-1 <sup>(2)</sup> |
| Federal Home Loan Bank                 | 4,000,000         | 7/2/2008        | A-1 <sup>(2)</sup> |
|  | \$ 9,895,000      |                 |                    |

<sup>(1)</sup> Underlying securities are exempt

<sup>(2)</sup> Standard and Poor's rating

<sup>(3)</sup> Callable 11/28/2005



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Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School 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 School District's \$895,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The investments in Federal Home Loan Mortgage Corporation (FHLMC) and Federal Home Loan Bank (FHLB) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned FHLMC and FHLB an A-1 rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in FHLMC and FHLB and these investments are 51% and 40%, respectively, of the School District's total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. For the School District, all investment earnings accrue to the general fund, certain special revenue funds, certain capital projects funds, and the private purpose trust fund as authorized by board resolution. Interest income earned in fiscal year 2005 totaled \$1,095,525. Interest revenue credited to the general fund during the fiscal year amounted to \$217,592; which includes interest of \$109,683 assigned from other funds.

#### **NOTE 5 – PROPERTY TAX**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the School District was completed in 2002; an update was completed in 2005. The next revaluation is scheduled for 2008.

Real property taxes are payable annually or semi-annually. The first payment is usually due February 14, (and may be paid annually) with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year.

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Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Ashtabula County Treasurer collects property taxes on behalf of the School District and the Ashtabula County Auditor remits the collected taxes to the School District. Tax settlements are made each March and August for real property taxes and each June and October for personal property. Taxes available for advance and recognized as revenue, but not received by the School District prior to June 30, are reflected as a reservation of fund balance. The School District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year. At June 30, 2005, taxes available for advance were: general fund, \$2,416,038; and nonmajor governmental funds, \$709,460.

The full tax rate at the fiscal year ended June 30, 2005, for operations was \$45.39 (\$20.44 approximate effective rate) per \$1,000 of assessed valuation. Additionally, the full tax rates for permanent improvements and debt retirement were \$.85 (\$.63 effective rate) and \$6.69 per \$1,000 of assessed valuation, respectively. The assessed values of real and tangible personal property on which the fiscal year 2005 taxes were collected were as follows:

| Property Category            | 2005<br>Assessed Value | 2004<br>Assessed Value |
|------------------------------|------------------------|------------------------|
| Real Property                |                        |                        |
| Residential and agricultural | \$ 215,369,140         | \$ 211,917,630         |
| Commercial and industrial    | 46,729,000             | 45,849,730             |
| Public utilities             | 98,170                 | 97,720                 |
| Tangible Personal Property   |                        |                        |
| General                      | 15,455,920             | 14,502,080             |
| Public utilities             | 13,699,010             | 13,803,400             |
| Total                        | \$ 291,351,240         | \$ 286,170,560         |

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**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

| <u>Governmental Activities</u>                 | <u>Beginning<br/>Balance</u> | <u>Increases</u>     | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
|--|------------------------------|----------------------|-------------------|---------------------------|
| Capital assets, not being depreciated:         |                              |                      |                   |                           |
| Land   | \$ 1,316,273                 | \$ -                 | \$ -              | \$ 1,316,273              |
| Construction in progress                       | <u>2,282,200</u>             | <u>13,467,014</u>    | <u>-</u>          | <u>15,749,214</u>         |
| Total capital assets, not<br>being depreciated | <u>3,598,473</u>             | <u>13,467,014</u>    | <u>-</u>          | <u>17,065,487</u>         |
| Capital assets, being depreciated:             |                              |                      |                   |                           |
| Buildings and improvements                     | 4,798,687                    | -                    | -                 | 4,798,687                 |
| Other improvements                             | 548,807                      | -                    | -                 | 548,807                   |
| Furniture, fixtures and equipment              | 3,636,642                    | 24,001               | (19,919)          | 3,640,724                 |
| Vehicles                                       | <u>1,827,270</u>             | <u>190,895</u>       | <u>(95,669)</u>   | <u>1,922,496</u>          |
| Total capital assets, being<br>depreciated     | <u>10,811,406</u>            | <u>214,896</u>       | <u>(115,588)</u>  | <u>10,910,714</u>         |
| Less: Accumulated depreciation:                |                              |                      |                   |                           |
| Buildings and improvements                     | (4,346,211)                  | (59,971)             | -                 | (4,406,182)               |
| Other improvements                             | (300,989)                    | (29,858)             | -                 | (330,847)                 |
| Furniture, fixtures and equipment              | (2,755,297)                  | (156,337)            | 15,694            | (2,895,940)               |
| Vehicles                                       | <u>(888,089)</u>             | <u>(159,588)</u>     | <u>95,669</u>     | <u>(952,008)</u>          |
| Total accumulated depreciation                 | <u>(8,290,586)</u>           | <u>(405,754)</u>     | <u>111,363</u>    | <u>(8,584,977)</u>        |
| Total capital assets being<br>depreciated, net | <u>2,520,820</u>             | <u>(190,858)</u>     | <u>(4,225)</u>    | <u>2,325,737</u>          |
| Governmental activities<br>capital assets, net | <u>\$ 6,119,293</u>          | <u>\$ 13,276,156</u> | <u>\$ (4,225)</u> | <u>\$ 19,391,224</u>      |

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Depreciation expense was charged to governmental functions as follows:

|   |                   |
|---|-------------------|
| Instruction:                            |                   |
| Regular                                 | \$ 102,172        |
| Special                                 | 4,740             |
| Vocational                              | 2,469             |
| Support services:                       |                   |
| Pupil                                   | 42,054            |
| Instructional staff                     | 2,857             |
| Administration                          | 7,177             |
| Fiscal                                  | 120               |
| Operation and maintenance of plant      | 28,146            |
| Pupil Transportation                    | 158,965           |
| Operation of non-instructional services | 26,114            |
| Extracurricular activities              | <u>30,940</u>     |
| Total depreciation expense              | <u>\$ 405,754</u> |

**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2005, consisted of taxes, accounts (miscellaneous), 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 guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

|                              |                  |
|------------------------------|------------------|
| Nonmajor governmental funds: |                  |
| Ohio Reads                   | \$ 605           |
| IDEA Part B grant            | 46,790           |
| Title I grant                | 33,696           |
| Title II-A grant             | <u>16,575</u>    |
|                              | <u>\$ 97,666</u> |

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**NOTE 8– INTERFUND TRANSACTIONS**

**A. Interfund Receivable/Payable**

The interfund receivable/payable consisted of the following fund at June 30, 2005 as reported on the fund financial statements:

|                             |    |       |
|-----------------------------|----|-------|
| Due to general fund from:   |    |       |
| Nonmajor governmental funds | \$ | 2,343 |

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

**B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2005 consisted of the following, as reported on the fund financial statements:

|                                 |    |         |
|---------------------------------|----|---------|
| Transfers from general fund to: |    |         |
| Nonmajor governmental funds     | \$ | 174,273 |

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 budget authorization. Transfers are also used to close out grants in any funds, including special revenue funds that are no longer required.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by contacting SERS, 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$287,039, \$415,828, and \$346,944, respectively; 39.25% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. \$174,384 representing the unpaid contribution for fiscal year 2004, including the surcharge, is recorded as a liability.

### **B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

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For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries and the School District was required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 13% for pension obligations. For fiscal year 2004, the portion used to fund pension obligations was also 13%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,312,146, \$1,375,290, and \$1,388,092, respectively; 83.8% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$228,948, representing the unpaid contribution for fiscal year 2005, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2005 were \$6,814 made by the School District and \$7,876 made by the plan members.

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$100,934 during the 2005 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, the net health care costs paid by the STRS were \$254,780,000 and eligible benefit recipients totaled 115,395.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. For this fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$134,025, which includes a surcharge of \$40,880 during the 2005 fiscal year.

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Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care reserve is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual claims costs. The number of participants eligible to receive benefits is 58,123.

**NOTE 11 – COMPENSATED ABSENCES**

***Vacation Leave*** The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The number of days granted, is determined upon length of service. For fiscal year 2005, the superintendent was granted twenty days of vacation and the treasurer was granted fifteen days of vacation. Administrators may accrue vacation leave up to a maximum of three years prior to using the vacation leave days. Classified employees earn ten to twenty days of vacation per year, depending upon length of service (with a year defined as at least 120 days). Classified employees may accrue vacation up to a maximum of two years prior to using the vacation leave days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. The administrative and classified personnel accumulate vacation based on the following schedule:

| <u>Years Service</u> | <u>Vacation Days</u> |
|----------------------|----------------------|
| 1-7                  | 10                   |
| 8-15                 | 15                   |
| 16-beyond            | 20                   |

***Sick Leave/Severance Pay*** Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for employees is 300 days. Retirement pay will be paid to an employee who retires on the basis of one-fourth (1/4) of the employee's total available sick leave days up to 200 days at the daily rate at the time of retirement, up to 50 days, plus 17% of all days accumulated between 201-300 days, with the maximum number of retirement paid days at 67. For certified staff, retirement pay shall be paid in two equal installments in each of the next two Januarys following retirement. For classified staff, retirement pay shall be paid within thirty calendar days of the effective date of the employee's retirement. For any teacher actively employed on or after June 30, 2005, retiring teachers shall have their severance pay placed into an annuity contract as an Employer Plan for Payment and Deferral of Severance Pay, and payment shall occur within thirty (30) calendar days of the effective date of the employee's retirement.

***Certified Retirement Incentive Program*** \$5,000 shall be granted to the ten (10) most senior bargaining unit members who are eligible and retire under guidelines of the State Teachers Retirement System and who notify the Board of Education by February 1 of the year in which they retire. The incentive is payable after January 1 of the year following retirement. All provisions of the Retirement Incentive Program automatically expired on June 29, 2005.



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**NOTE 12 – RISK MANAGEMENT**

**A. General Risk**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for single occurrence and \$3,000,000 in the aggregate and excess liability in the amounts of \$2,000,000 each single occurrence and \$2,000,000 in the aggregate. The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of \$35,261,436.

Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage within the past three years.

**B. Workers' Compensation**

The School District participates in the Workers' Compensation Program provided by the State of Ohio. The Ohio system of workers' compensation has been in effect since 1913 providing compensation for work-related injuries, diseases and deaths. The system is maintained by the Ohio Bureau of Workers' Compensation and the Industrial Commission. The Bureau of Workers' Compensation determines basic premium rates by the cost of claims generated within the school's industry classification. New rates are effective each January 1. Premiums are paid annually.

**C. Health Insurance**

In July 1987, the School District joined the Ashtabula County Schools Council of Governments Employees Insurance Consortium to insure its medical and vision claims. The consortium currently includes seven member school districts. Contributions are determined by the consortium's board of directors. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School District. The School District provides dental insurance coverage through Anthem Blue Cross/Blue Shield and life insurance coverage through Jefferson Pilot Financial.

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**NOTE 13 – LONG-TERM DEBT**

The changes in the School District’s long-term obligations during the year consist of the following:

| <u>Governmental Activities</u>              | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balance</u> | <u>Due within<br/>one year</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| <u>General Obligation Bonds</u>             |                              |                   |                     |                           |                                |
| 1997 Library Construction                   | \$ 690,000                   | \$ -              | \$ (50,000)         | \$ 640,000                | \$ 50,000                      |
| 2002 Library Construction                   | 175,000                      | -                 | (50,000)            | 125,000                   | 50,000                         |
| 2003 School Improvement                     |                              |                   |                     |                           |                                |
| Serial bonds                                | 21,855,000                   | -                 | (610,000)           | 21,245,000                | 620,000                        |
| Capital appreciation bonds                  | 554,990                      | -                 | -                   | 554,990                   | -                              |
| Accretion on bonds                          | -                            | <u>150,763</u>    | <u>-</u>            | <u>150,763</u>            | <u>-</u>                       |
| Total bonds                                 | <u>23,274,990</u>            | <u>150,763</u>    | <u>(710,000)</u>    | <u>22,715,753</u>         | <u>720,000</u>                 |
| <u>Other Long-term obligations</u>          |                              |                   |                     |                           |                                |
| Compensated absences                        | <u>1,750,093</u>             | <u>78,048</u>     | <u>(170,118)</u>    | <u>1,658,023</u>          | <u>442,076</u>                 |
| Total governmental<br>long-term obligations | <u>\$ 25,025,083</u>         | <u>\$ 228,811</u> | <u>\$ (880,118)</u> | <u>\$ 24,373,776</u>      | <u>\$ 1,162,076</u>            |

**Library Construction Bonds:** As discussed in Note 1, the School District issued general obligation bonds, on behalf of the Library, in the amount of \$990,000 on May 1, 1997 and \$275,000 on April 24, 2002. The 1997 bonds mature in December 2016 and have an average interest rate of 5.8%. The 2002 bonds mature in 2007 and have an interest rate of 3.95%.

The annual maturities of the Library Construction Bonds as of June 30, 2005, and related interest payments are as follows:

| <u>Fiscal<br/>Year</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Payment</u>      |
|------------------------|-------------------|-------------------|---------------------|
| 2006                   | \$ 100,000        | \$ 45,977         | \$ 145,977          |
| 2007                   | 125,000           | 41,152            | 166,152             |
| 2008                   | 50,000            | 35,290            | 85,290              |
| 2009                   | 50,000            | 30,240            | 80,240              |
| 2010                   | 50,000            | 27,265            | 77,265              |
| 2011-2015              | 275,000           | 87,390            | 362,390             |
| 2016-2017              | <u>115,000</u>    | <u>10,938</u>     | <u>125,938</u>      |
| Total                  | <u>\$ 765,000</u> | <u>\$ 278,252</u> | <u>\$ 1,043,252</u> |

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**School Improvement Bonds:** In May 2003, the School District issued \$23,109,990 of general obligation bonds to finance the construction of the new high school facility. The bonds have the interest rates of 2 to 4.5%, and mature in 2031.

The annual maturities of the School Improvement Bonds as of June 30, 2005, and related interest payments are as follows:

| Fiscal<br>Year | Principal            | Interest             | Payment              |
|----------------|----------------------|----------------------|----------------------|
| 2006           | \$ 620,000           | \$ 854,190           | \$ 1,474,190         |
| 2007           | 635,000              | 841,790              | 1,476,790            |
| 2008           | 645,000              | 829,090              | 1,474,090            |
| 2009           | 660,000              | 814,900              | 1,474,900            |
| 2010           | 675,000              | 798,400              | 1,473,400            |
| 2011-2015      | 3,136,899            | 4,242,946            | 7,379,845            |
| 2016-2020      | 2,843,091            | 4,526,009            | 7,369,100            |
| 2021-2025      | 4,975,000            | 2,403,450            | 7,378,450            |
| 2026-2030      | 6,200,000            | 1,178,550            | 7,378,550            |
| 2031           | 1,410,000            | 63,450               | 1,473,450            |
| Total          | <u>\$ 21,799,990</u> | <u>\$ 16,552,775</u> | <u>\$ 38,352,765</u> |

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the voters, shall not exceed 9.0% of the total value of all property in the School District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The School District has no unvoted debt. The School District's unvoted debt limit and margin is \$291,351. The voted debt limit and margin at June 30, 2005 is \$26,221,612 and \$3,656,622.

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS AND PUBLIC ENTITY RISK POOLS**

***Northeast Ohio Management Information Network (NEOMIN)*** NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed 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 districts. Each of the districts support NEOMIN based upon a per pupil charge. Payments to NEOMIN are made from the general fund. During the current fiscal year, the School District contributed \$63,903 to NEOMIN.

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Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The School District was represented on the Governing Board during fiscal year 2005. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

***Ashtabula County Schools Council of Governments*** The School District's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The School District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

***Ashtabula County Joint Vocational School District*** The School District is a member of the Ashtabula County Joint Vocational School District. The Ashtabula County Joint Vocational School District has a seven-member board of education and is funded by levying millage and state and federal support. The School District has one member as a board representative. The School District has no ongoing financial interest or financial responsibility to the Ashtabula County Joint Vocational School District.

## **NOTE 15 – CONTINGENCIES**

### **A. Grants**

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

### **B. Litigation**

The School District is a defendant in a legal proceedings pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the School District's financial statements.

**Geneva Area City School District**  
**Ashtabula County**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

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**NOTE 16 – STATE SCHOOL FUNDING DECISION**

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

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

**NOTE 17 – STATUTORY RESERVES**

The School District is required by State statute to set aside, annually, in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District may also set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

|   | <u>Textbook<br/>Reserve</u> | <u>Capital<br/>Maintenance<br/>Reserve</u> | <u>Budgetary<br/>Reserve</u> | <u>Total</u>          |
|---|-----------------------------|--|------------------------------|-----------------------|
| Set-aside cash balance as of<br>June 30, 2004 | \$ -                        | \$ -                                       | \$ 358,077                   | \$ 358,077            |
| Current year set-aside requirement            | 409,801                     | 409,801                                    | -                            | 819,602               |
| Current year offset                           | -                           | (196,155)                                  | -                            | (196,155)             |
| Qualifying disbursements                      | <u>(184,563)</u>            | <u>(213,646)</u>                           | -                            | <u>(398,209)</u>      |
| Total   | <u>\$ 225,238</u>           | <u>\$ -</u>                                | <u>\$ 358,077</u>            | <u>\$ 583,315</u>     |
| <br>Cash balance carried forward to 2006      | <br><u>\$ 225,238</u>       | <br><u>\$ -</u>                            | <br><u>\$ 358,077</u>        | <br><u>\$ 583,315</u> |

**Geneva Area City School District**  
**Ashtabula County**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005

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**NOTE 18 – OHIO SCHOOLS COUNCIL**

The School District participates in the Ohio Schools Council’s electricity purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

**NOTE 19 – FUND DEFICITS**

As of June 30, 2005, two funds had deficit fund balances. These deficits were caused by the application of GAAP. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had deficit balances:

| <u>Fund</u>                     | <u>Deficit<br/>Balance</u> |
|---------------------------------|----------------------------|
| Nonmajor special revenue funds: |                            |
| Lunchroom                       | \$ 40,869                  |
| Uniform school supplies         | <u>2,342</u>               |
|                                 | <u>\$ 43,211</u>           |

**GENEVA AREA CITY SCHOOL DISTRICT**  
**ASHTABULA COUNTY**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2005**

| Federal Grantor/ Pass-through Grantor/<br>Program Title                                      | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Receipts            | Non-Cash<br>Receipts | Expenditures        | Non-Cash<br>Expenditures |
|--|---------------------------|-------------------------------------|---------------------|----------------------|---------------------|--------------------------|
| <b>U.S. Department of Agriculture</b>  |                           |                                     |                     |                      |                     |                          |
| <i>Pass through Ohio Department of Education</i>   |                           |                                     |                     |                      |                     |                          |
| Nutrition Cluster:   |                           |                                     |                     |                      |                     |                          |
| Food Distribution - Commodities - See Note 2   | 10.550                    | n/a                                 | -                   | \$ 32,209            | -                   | \$ 38,688                |
| School Breakfast Program   | 10.553                    | 44057-05PU-04/05                    | \$ 62,625           | -                    | \$ 62,625           | -                        |
| National School Lunch Program  | 10.555                    | 44057-LLP4-04/05                    | 365,781             | -                    | 365,781             | -                        |
| Total Nutrition Cluster  |                           |                                     | <u>428,406</u>      | <u>32,209</u>        | <u>428,406</u>      | <u>38,688</u>            |
| <b>U.S. Department of Agriculture</b>  |                           |                                     | 428,406             | 32,209               | 428,406             | 38,688                   |
| <b>U.S. Department of Education</b>  |                           |                                     |                     |                      |                     |                          |
| <i>Pass through Ohio Department of Education</i>   |                           |                                     |                     |                      |                     |                          |
| Title I - Financial Assistance to Meet Special Educational Needs of Disadvantaged Children   |                           |                                     |                     |                      |                     |                          |
| Title I - FY04   | 84.010                    | 44057-C1S1-04                       | 4,476               | -                    | 52,556              | -                        |
| Title I - FY05   | 84.010                    | 44057-C1S1-05                       | 352,115             | -                    | 311,677             | -                        |
| Total Title I  |                           |                                     | <u>356,591</u>      | <u>-</u>             | <u>364,233</u>      | <u>-</u>                 |
| Special Education Cluster:   |                           |                                     |                     |                      |                     |                          |
| Title VI - B, Special Education - Assistance to States for Education of Handicapped Children |                           |                                     |                     |                      |                     |                          |
| IDEA - B - FY04  | 84.027                    | 44057-6BSF-04                       | 76,108              | -                    | 64,414              | -                        |
| IDEA - B - FY05  | 84.027                    | 44057-6BSF-05                       | 496,230             | -                    | 457,989             | -                        |
| Total Title VI - B   |                           |                                     | <u>572,338</u>      | <u>-</u>             | <u>522,403</u>      | <u>-</u>                 |
| ECSE Special Education - Preschool   |                           |                                     |                     |                      |                     |                          |
| ECSE, IDEA FY04  | 84.173                    | 44057-PGS1-04                       | -                   | -                    | 206                 | -                        |
| ECSE, IDEA FY05  | 84.173                    | 44057-PGS1-05                       | 16,409              | -                    | 14,907              | -                        |
| Total ECSE, IDEA   |                           |                                     | <u>16,409</u>       | <u>-</u>             | <u>15,113</u>       | <u>-</u>                 |
| Total Special Education Cluster  |                           |                                     | <u>588,747</u>      | <u>-</u>             | <u>537,516</u>      | <u>-</u>                 |
| Drug - Free School Grant   |                           |                                     |                     |                      |                     |                          |
| Title IV - SDFSC - Transfer  | 84.186                    | 44057-DRS1-04                       | (107)               | -                    | -                   | -                        |
| Title IV - FY05  | 84.186                    | 44057-DRS1-05                       | 13,397              | -                    | 11,604              | -                        |
| Total Drug - Free School Grant   |                           |                                     | <u>13,290</u>       | <u>-</u>             | <u>11,604</u>       | <u>-</u>                 |
| Innovative Education Program Strategies  |                           |                                     |                     |                      |                     |                          |
| Title V - FY04   | 84.298                    | 44057-C2S1-04                       | 1,460               | -                    | 704                 | -                        |
| Title V - FY05   | 84.298                    | 44057-C2S1-05                       | 15,439              | -                    | 11,727              | -                        |
| Total Innovative Education Program Strategies  |                           |                                     | <u>16,899</u>       | <u>-</u>             | <u>12,431</u>       | <u>-</u>                 |
| Reducing Class Size  |                           |                                     |                     |                      |                     |                          |
| Title II - D - FY04  | 84.318                    | 44057-TJS1-04                       | (2,596)             | -                    | (2,196)             | -                        |
| Title II - D - FY05  | 84.318                    | 44057-TJS1-04                       | 12,349              | -                    | 3,136               | -                        |
| Total Reducing Class Size  |                           |                                     | <u>9,753</u>        | <u>-</u>             | <u>940</u>          | <u>-</u>                 |
| Reducing Class Size  |                           |                                     |                     |                      |                     |                          |
| Title IIA - FY04   | 84.367                    | 44057-TRS1-04                       | 19,225              | -                    | 38,897              | -                        |
| Title IIA - FY05   | 84.367                    | 44057-TRS1-05                       | 172,982             | -                    | 152,272             | -                        |
| Total Reducing Class Size  |                           |                                     | <u>192,207</u>      | <u>-</u>             | <u>191,169</u>      | <u>-</u>                 |
| <b>Total U.S. Department of Education</b>  |                           |                                     | 1,177,487           | -                    | 1,117,893           | -                        |
| <b>U.S. Department of Health and Human Services</b>  |                           |                                     |                     |                      |                     |                          |
| <i>Pass through Ohio Department of Mental Retardation and Developmental Disabilities</i>     |                           |                                     |                     |                      |                     |                          |
| Medicaid - CAFS  | 93.778                    | n/a                                 | 117,244             | -                    | 46,479              | -                        |
| <b>TOTAL FEDERAL AWARDS EXPENDITURES</b>   |                           |                                     | <u>\$ 1,723,137</u> | <u>\$ 32,209</u>     | <u>\$ 1,592,778</u> | <u>\$ 38,688</u>         |

See Notes to the Schedule of Awards Expenditures

**GENEVA AREA CITY SCHOOL DISTRICT**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2005**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. The non-monetary assistance (expenditures) is reported in the schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first.

**3. MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the federally funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.



**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Geneva Area City School District  
Ashtabula County  
135 Eagle Street  
Geneva, OH 44041-4831

To The Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Geneva Area City School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2006, wherein we noted the District implemented GASB Technical Bulletin No. 2004-2 and GASB Statement No. 40. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated November 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management in a separate letter dated November 28, 2006.

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

***Charles E. Harris & Associates, Inc.***

November 28, 2006

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Geneva Area City School District  
Ashtabula County  
135 Eagle Street  
Geneva, OH 44041-4831

To The Board of Education:

Compliance

We have audited the compliance of the Geneva Area City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 2005 – Geneva – 001 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applying to its Title I – Grants to Local Educational Agencies program. Compliance with those requirements is necessary, in our opinion, for the District to comply with requirements applicable to the Title I program.

In our opinion, except for the noncompliance described in the preceding paragraph, Geneva Area City School District complied, in all material respects, with the requirements referred to above, that are applicable to its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 28, 2006.

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

***Charles E. Harris & Associates, Inc.***

November 28, 2006

**GENEVA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDING  
OMB CIRCULAR A-133 SECTION .505  
June 30, 2005**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|              |   |   |
|--------------|---|---|
| (d)(1)(i)    | <i>Type of Financial Statement Opinion</i>  | Unqualified   |
| (d)(1)(ii)   | <i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>         | No  |
| (d)(1)(ii)   | <i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i> | No  |
| (d)(1)(iii)  | <i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>                       | No  |
| (d)(1)(iv)   | <i>Were there any material internal control weakness conditions reported for major federal programs?</i>              | No  |
| (d)(1)(iv)   | <i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>      | No  |
| (d)(1)(v)    | <i>Type of Major Programs' Compliance Opinion</i>   | Qualified   |
| (d)(1)(vi)   | <i>Are there any reportable findings under Section .510</i>   | Yes   |
| (d)(1)(vii)  | <i>Major Programs:</i>  | Nutrition Cluster CFDA #10.550, 553 & 555<br>Title I CFDA #84.010 |
| (d)(1)(viii) | <i>Dollar Threshold: Type A\B Programs</i>  | Type A: > \$300,000<br>Type B: all others                         |
| (d)(1)(ix)   | <i>Low Risk Auditee?</i>  | No  |

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

None

**GENEVA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OBM CIRCULAR A-133 SECTION .505  
June 30, 2005**

|                                       |
|---------------------------------------|
| <b>3. FINDINGS FOR FEDERAL AWARDS</b> |
|---------------------------------------|

|                           |  |
|---------------------------|--|
| Finding Number            | 2005 - GENEVA - 001                                      |
| CFDA Title and Number     | Title I Grants to Local Educational Agencies CFDA 84.010 |
| Federal Award Number/Year | 44057-C1-S1-04/2005 and 44057-C1-S1-05/2005              |
| Federal Agency            | U.S. Department of Education                             |
| Pass-Through Agency       | Ohio Department of Education                             |

**Non-compliance Citation**

**Cash Management Improvement**

**Act 31 CFR 205.01 through 205.35 and 34 CFR 80.21** – identify the requirements of cash management compliance for entities that receive federal assistance and the procedures that are needed to be in place for either reimbursement or advance type payments. When funds are advanced, the entity must follow procedures to minimize the time elapsing between the transfers of funds from the Federal/State agency to the time the expenditure is made.

As part of the grant agreement with the Ohio Department of Education (ODE), the District agreed to minimize the time between the transfers of funds from the ODE and the disbursement by the District. Additionally the District agreed to maintain cash balances that meet their immediate cash needs only. It is the District’s responsibility to comply with all applicable laws related to the grant as they attested to upon executing the grant application.

Geneva Area City School District was under the advance basis assistance for Title I (CFDA # 84.010) for fiscal year 2005. During fiscal year 2005, the District requested funds using the Project Cash Request forms (PCR). There were four instances in Title I where the amount requested was not spent or obligated within the month requested which is an indication that the expenditures or obligations were not being met on a timely basis as required by the provisions of cash management. By not minimizing the time between the transfer of funds and subsequent disbursement, the District maintained cash balances in excess of their immediate needs.

We recommend the District develop procedures to limit the time lapse between requesting and receiving grant funds to the time the expenditure is made in order to be in compliance with the Cash Management Improvement Act.

Management response: The fiscal 2004 audit was not completed until after the end of the fiscal year 2005 school year, so there was no time to correct the Cash Management citation.

**GENEVA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**CORRECTIVE ACTION PLAN  
OBM CIRCULAR A-133 SECTION .315 (c)  
June 30, 2005**

| <b>Finding Number</b> | <b>Planned Corrective Action</b>   | <b>Anticipated Completion Date</b> | <b>Responsible Contact Person</b> |
|-----------------------|--|------------------------------------|-----------------------------------|
| 2005 - Geneva - 001   | Adhere to the provisions of cash management provisions and not request federal funds until needed in order to have the time lapse between receiving said funds and expending them be at a minimum. | Immediately                        | Kevin Lillie - Treasurer          |

**GENEVA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
June 30, 2005**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

|          |  |    |                                   |
|----------|--|----|-----------------------------------|
| 2004-001 | 31 CFR 201.01 through<br>205.35 and 34 CFR<br>80.21 - Cash<br>Management - funds not<br>obligated or spent within<br>one month | No | Repeated with 2005 - GENEVA - 001 |
|----------|--|----|-----------------------------------|





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**GENEVA AREA CITY SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 16, 2007**