

**Geneva Area City
School District
Ashtabula County, Ohio**

Basic Financial Statements
For Fiscal Year Ended: June 30, 2014

Geneva Area City School District
Basic Financial Statements
Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	2
Management’s Discussion and Analysis	5
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	21
Statement of Fund Net Position – Internal Service Fund	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Fund	23
Statement of Cash Flows – Internal Service Fund	24
Statement of Fiduciary Net Position – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund	26
Notes to the Basic Financial Statements	27

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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, 2014. 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

- General revenues accounted for \$21.1 million in revenue or 79% of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5.7 million or 21% of total governmental revenues of just over \$26.7 million.
- The School District had \$27.2 million in expenses related to governmental activities; but \$5.7 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 \$21.1 million were not adequate to provide for these programs, resulting in a decrease in net position of \$461,654 or .7%.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of about \$10.6 million, a decrease of \$168,154 from the prior year.

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

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 15-16 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The basic fund financial statements can be found on pages 17-21 of this report.

Proprietary Fund The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. More specifically, the internal service fund accounts for self insurance of their employee's dental plan. The proprietary fund uses the accrual basis of accounting. The proprietary fund financial statements can be found on pages 22-24 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 pages 25-26 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 basic financial statements can be found starting on page 27 of this report.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Government-wide Financial Analysis

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

Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$ 21,723,858	\$ 21,126,823
Capital assets	<u>68,399,119</u>	<u>70,098,819</u>
Total assets	<u>90,122,977</u>	<u>91,225,642</u>
Liabilities:		
Current liabilities	2,777,162	2,678,729
Long-term liabilities	<u>18,328,439</u>	<u>18,972,544</u>
Total liabilities	<u>21,105,601</u>	<u>21,651,273</u>
Deferred inflows of resources:		
Property taxes	<u>6,438,434</u>	<u>6,533,773</u>
Net Position:		
Net investment in capital assets	53,069,129	53,923,829
Restricted net position	6,859,518	7,779,232
Unrestricted net position	<u>2,650,295</u>	<u>1,337,535</u>
Total net position	<u>\$ 62,578,942</u>	<u>\$ 63,040,596</u>

As noted earlier, net position 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 \$62.6 million at June 30, 2014.

A portion of the School District's net position, \$53 million, reflects its investment in capital assets (e.g., land, buildings and improvements, land improvements, furniture, fixtures and equipment, 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 students; 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 position, \$6.9 million or 10.9%, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$.2 million, or .3%, is restricted for debt service payments; \$6.0 million, or 9.6%, is restricted for capital projects; and \$.6 million or 1.0%, is restricted for other purposes. The remaining significant balance of government-wide unrestricted net position of \$2.7 million may be used to meet the government's ongoing obligations to students and staff.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The table below shows the change in net position for fiscal years 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,422,680	\$ 2,261,004
Operating grants and contributions	3,242,341	2,742,846
Capital grants and contributions	1,856	1,729,875
General revenues:		
Property taxes	8,391,725	5,637,809
Grants and entitlements	12,495,980	12,678,628
Investment earnings	80,825	20,650
Payments in lieu of taxes	45,331	114,696
Miscellaneous	38,931	453,844
Gain on sale of capital assets	10,500	217,342
Total revenues	<u>26,730,169</u>	<u>25,856,694</u>
Expenses		
Instruction:		
Regular	10,581,376	10,277,760
Special	3,502,764	3,515,634
Vocational	189,738	183,324
Other	1,355,561	1,240,993
Support services:		
Pupils	1,107,180	1,166,368
Instructional staff	319,381	456,282
Board of education	16,259	16,980
Administration	1,828,327	1,962,910
Fiscal	561,751	557,129
Business	14,411	29,104
Operation and maintenance of plant	3,665,819	3,397,909
Pupil transportation	1,389,693	1,321,832
Central	36,239	31,046
Operation of non-instructional services	1,311,213	1,454,732
Extracurricular activities	659,239	634,896
Fiscal and interest charges	652,872	637,831
Total expenses	<u>27,191,823</u>	<u>26,884,730</u>
Decrease in net position	(461,654)	(1,028,036)
Net position beginning of year	<u>63,040,596</u>	<u>64,068,632</u>
Net position end of year	<u>\$ 62,578,942</u>	<u>\$ 63,040,596</u>

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated approximately \$8.4 million in 2014. General revenues from grants and entitlements, such as the school foundation program, generated over \$12.4 million. With the combination of taxes and intergovernmental funding 78.1% 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 \$15,629,439 or 57.5% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses increased \$411,728, or 2.7% 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 \$1,426,561, or 5.3% of the total governmental program expenses. Expenses to provide these programs decreased \$196,089 or 12.1%, as compared to fiscal year 2013. The significant variances between program expenses are due to the Ohio Department of Education requiring a change in the accounting of wages for educational aides and special needs assistants from pupils and instructional staff support services programs to regular and special instruction programs for fiscal year ending June 30, 2014.

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 \$2,420,748, or 8.9% of governmental program expenses. Costs of these programs decreased \$145,375, or 5.7%, 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 \$3,665,819, or 13.5% of the governmental program expenses. These expenses increased \$267,910, or 7.9% as compared to fiscal year 2013. Expenses of this program increased as costs associated with building maintenance and non-capital related building and construction costs increased.

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 \$1,389,693 or 5.1% of the total governmental program expenses. Expenses for providing this program increased \$67,861, or 5.1% as compared to the prior year. The primary cause of this increase was not due to any specific activity but from a fairly consistent budget.

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 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

	Governmental Activities			
	Total Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2014</u>	Net Cost of Services <u>2013</u>
<u>Program Expenses:</u>				
Instruction:				
Regular	10,581,376	10,277,760	\$ (8,517,940)	\$ (6,817,996)
Special	3,502,764	3,515,634	(1,662,316)	(2,184,006)
Vocational	189,738	183,324	(189,738)	(183,324)
Other	1,355,561	1,240,993	(1,355,561)	(1,240,993)
Support services:				
Pupils	1,107,180	1,166,368	(1,019,639)	(1,078,051)
Instructional staff	319,381	456,282	(238,877)	(318,606)
Board of education	16,259	16,980	(16,259)	(16,980)
Administration	1,828,327	1,962,910	(1,722,770)	(1,862,254)
Fiscal	561,751	557,129	(561,751)	(541,530)
Business	14,411	29,104	(14,411)	(29,104)
Operation and maintenance of plant	3,665,819	3,397,909	(3,599,013)	(3,361,265)
Pupil transportation	1,389,693	1,321,832	(1,389,693)	(1,321,832)
Central	36,239	31,046	(36,239)	(31,046)
Operation non-instructional services	1,311,213	1,454,732	(118,128)	(103,326)
Extracurricular activities	659,239	634,896	(429,739)	(422,861)
Interest and fiscal charges	<u>652,872</u>	<u>637,831</u>	<u>(652,872)</u>	<u>(637,831)</u>
Total	<u>\$ 27,191,823</u>	<u>\$ 26,884,730</u>	<u>\$ (21,524,946)</u>	<u>\$ (20,151,005)</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 \$26,052,658 and total expenditures and other financing uses were \$26,220,812. The net change in fund balance was significant in the general fund with an increase of \$573,227. This increase is largely attributed to the accrual of property tax revenues.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Fund Balances

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 2,482,154	\$ 1,908,927	\$ 573,227	30.03%
Bond retirement	1,549,263	1,511,708	37,555	2.48%
Permanent improvement	1,559,107	1,651,972	(92,865)	-5.62%
Classroom facilities	3,609,184	3,769,895	(160,711)	-4.26%
Other governmental	<u>1,374,114</u>	<u>1,899,474</u>	<u>(525,360)</u>	-27.66%
Total	<u>\$ 10,573,822</u>	<u>\$ 10,741,976</u>	<u>\$ (168,154)</u>	

The School District's general fund revenues increased \$1,922,207 and expenditures increased \$647,785 from 2013. The most significant change for revenues was an increase of \$1,655,276 in taxes from a prior year accrual adjustment. The taxes reported for 2013 were significantly reduced from a 2012 accrual of taxes available at year-end. However, taxes collected during 2013 and 2014 were consistent. Total expenditures increased mainly in the area of support services related to operation and maintenance.

Change in Financial Activities for the General Fund

	2014 <u>Amount</u>	2013 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,468,915	\$ 4,813,639	1,655,276	34.39%
Intergovernmental	12,809,032	12,504,860	304,172	2.43%
Interest	69,075	9,540	59,535	624.06%
Tuition and fees	1,668,537	1,727,506	(58,969)	-3.41%
Extracurricular activities	77,775	75,980	1,795	0.00%
Gifts and donations	678	6,834	(6,156)	-90.08%
Customer sales and service	4,697	4,693	4	0.09%
Rent	6,140	474	5,666	1195.36%
Payment in lieu of taxes	45,331	114,696	(69,365)	-60.48%
Miscellaneous	<u>38,253</u>	<u>8,004</u>	<u>30,249</u>	377.92%
Total	<u>\$ 21,188,433</u>	<u>\$ 19,266,226</u>	<u>\$ 1,922,207</u>	
<u>Expenditures:</u>				
Instruction	\$ 13,082,088	\$ 12,773,307	\$ 308,781	2.42%
Support services	7,008,399	6,566,242	442,157	6.73%
Non-instructional services	31,087	31,548	(461)	-1.46%
Extracurricular activities	428,315	416,113	12,202	2.93%
Capital outlay	<u>10,700</u>	<u>125,594</u>	<u>(114,894)</u>	-91.48%
Total	<u>\$ 20,560,589</u>	<u>\$ 19,912,804</u>	<u>\$ 647,785</u>	

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 2014, 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.

For the general fund, the final budget basis revenue estimate was \$21,074,688, representing an increase from the original budget estimate of \$20,516,620. This \$558,068 difference was mainly due to an increase in intergovernmental revenue from original estimates. Actual receipts of \$21,075,175 were very close to the final budget basis revenue estimate.

The original expenditure budget of \$20,936,173 was revised during the fiscal year with a final budget amount of \$21,503,933. Actual expenditures plus encumbrances of \$20,898,809 reported significant variances as compared to the final expenditure budgets. The School District ended the year at approximately \$.6 million under budget. The conservative budgeting for the operational costs of the new buildings contributed to this significant decrease in expenditures as compared to the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$68,399,119 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2014 balances compared to fiscal year 2013.

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,541,400	\$ 1,567,440
Construction in progress	135,200	-
Land improvements	998,333	1,142,211
Buildings and improvements	63,732,698	65,136,634
Furniture, fixtures and equipment	1,126,766	1,231,534
Vehicles	<u>864,722</u>	<u>1,021,000</u>
Total capital assets	<u>\$ 68,399,119</u>	<u>\$ 70,098,819</u>

Capital assets decreased \$1,699,700 from 2013, due mainly from current year depreciation and disposals exceeding additions. See Note 6 to the basic financial statements for detail on the School District's capital assets.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Debt

At June 30, 2014, the School District had \$16,786,953 in general obligation bonds (including bond accretion). Of this total, \$870,000 is due within one year and \$15,916,953 is due more than one year. The following table summarizes the bonds outstanding.

Outstanding Debt at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General obligation bonds:		
School improvement/refunding	\$ 16,786,953	\$ 17,410,873

Additional information on the School District's long-term debt can be found in Note 13 of the basic financial statements.

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 had been fortunate in that it had not had to ask its voters for additional operating revenue since 1993. However, due to state funding reductions, the School District placed emergency operating levies on the ballot in November 2011 and August 2012, which did not pass. As a result, the School District made substantial expenditure reductions. 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 in the future.

Fluctuating state foundation funding formulas and decreased property valuations provide no significant increase in future revenues. In addition to the complete phase-out of the tangible personal property reimbursements and not replacing the loss of federal stimulus dollars and the Education Jobs bill, the state also eliminated additional funding for EMIS, Career Tech and gifted testing. With its major sources of revenue not keeping pace with expenditure increases, the School District must seek additional tax revenues or reduce already lean expenditures to continue current operations. However, the School District cannot look to the State of Ohio for increased revenue.

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.

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Geneva Area City School District

Statement of Net Position

June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 8,267,317
Cash and cash equivalents:	
In segregated accounts	1,652,786
With fiscal agents	15,000
Investments in segregated accounts	1,117,584
Receivables:	
Taxes	9,110,801
Accounts	736,520
Intergovernmental	533,850
Accrued interest	23,406
Notes	102,300
Due from agency fund	
Prepaid items	79,409
Inventory held for resale	18,221
Materials and supplies inventory	66,664
Capital assets:	
Land and construction in progress	1,676,600
Depreciable capital assets	77,196,573
Accumulated depreciation	(10,474,054)
Total capital assets	<u>68,399,119</u>
Total assets	<u>90,122,977</u>
<u>Liabilities:</u>	
Accounts payable	248,957
Accrued wages and benefits	2,018,492
Intergovernmental payable	440,373
Accrued interest payable	34,773
Matured bonds payable	15,000
Claims payable	19,567
Long-term liabilities:	
Due within one year	1,161,731
Due in more than one year	17,166,708
Total liabilities	<u>21,105,601</u>
<u>Deferred inflows of resources:</u>	
Property taxes	<u>6,438,434</u>
<u>Net position:</u>	
Net investment in capital assets	53,069,129
Restricted for:	
Capital projects	6,010,009
Debt service	217,681
Other purposes	631,828
Unrestricted	<u>2,650,295</u>
Total net position	<u>\$ 62,578,942</u>

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities:					
Instruction:					
Regular	\$ 10,581,376	\$ 1,458,944	\$ 602,636	\$ 1,856	\$ (8,517,940)
Special	3,502,764	438,779	1,401,669	-	(1,662,316)
Vocational	189,738	-	-	-	(189,738)
Other	1,355,561	-	-	-	(1,355,561)
Support services:					
Pupils	1,107,180	-	87,541	-	(1,019,639)
Instructional staff	319,381	-	80,504	-	(238,877)
Board of education	16,259	-	-	-	(16,259)
Administration	1,828,327	-	105,557	-	(1,722,770)
Fiscal	561,751	-	-	-	(561,751)
Business	14,411	-	-	-	(14,411)
Operation and maintenance of plant	3,665,819	6,140	60,666	-	(3,599,013)
Pupil transportation	1,389,693	-	-	-	(1,389,693)
Central	36,239	-	-	-	(36,239)
Operation of non-instructional services	1,311,213	319,824	873,261	-	(118,128)
Extracurricular activities	659,239	198,993	30,507	-	(429,739)
Interest and fiscal charges	652,872	-	-	-	(652,872)
Total governmental activities	\$ 27,191,823	\$ 2,422,680	\$ 3,242,341	\$ 1,856	(21,524,946)

General Revenues:

Property taxes levied for:

General purposes	\$ 6,827,472
Debt service	1,239,070
Capital outlay	325,183
Grants and entitlements not restricted to specific programs	12,495,980
Investment earnings	80,825
Payment in lieu of taxes	45,331
Miscellaneous	38,931
Gain on sale of capital assets	10,500
Total general revenues	21,063,292
Change in net position	(461,654)
Net position beginning of year	63,040,596
Net position end of year	\$ 62,578,942

See accompanying notes to the basic financial statements.

Geneva Area City School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 3,428,976	\$ 1,380,870	\$ 1,535,743	\$ 601,718	\$ 1,248,422	\$ 8,195,729
Cash and cash equivalents:						
With fiscal agent	-	15,000	-	-	-	15,000
In segregated accounts	-	-	-	1,558,601	94,185	1,652,786
Investments in segregated accounts	-	-	-	1,117,584	-	1,117,584
Receivables:						
Taxes	7,409,117	1,348,410	190,053	-	163,221	9,110,801
Accounts	407,536	-	-	326,505	2,479	736,520
Intergovernmental	238,162	-	-	-	295,688	533,850
Accrued interest	18,630	-	-	4,776	-	23,406
Notes	102,300	-	-	-	-	102,300
Inventory held for resale	-	-	-	-	18,221	18,221
Materials and supplies inventory	66,664	-	-	-	-	66,664
Prepaid items	79,409	-	-	-	-	79,409
Total assets	<u>\$ 11,750,794</u>	<u>\$ 2,744,280</u>	<u>\$ 1,725,796</u>	<u>\$ 3,609,184</u>	<u>\$ 1,822,216</u>	<u>\$ 21,652,270</u>
<u>Liabilities:</u>						
Accounts payable	\$ 228,619	\$ -	\$ -	\$ -	\$ 20,338	\$ 248,957
Accrued wages and benefits	1,810,175	-	-	-	208,317	2,018,492
Intergovernmental payable	373,007	-	-	-	67,366	440,373
Matured bonds payable	-	15,000	-	-	-	15,000
Total liabilities	<u>2,411,801</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>296,021</u>	<u>2,722,822</u>
<u>Deferred inflows of resources:</u>						
Property taxes	5,246,579	943,435	133,676	-	114,744	6,438,434
Unavailable revenue - delinquent property taxes	1,266,381	236,582	33,013	-	28,001	1,563,977
Unavailable revenue	343,879	-	-	-	9,336	353,215
Total deferred inflows of resources	<u>6,856,839</u>	<u>1,180,017</u>	<u>166,689</u>	<u>-</u>	<u>152,081</u>	<u>8,355,626</u>
<u>Fund balances:</u>						
Nonspendable	146,073	-	-	-	-	146,073
Restricted	-	1,549,263	1,559,107	3,609,184	1,427,332	8,144,886
Committed	22,000	-	-	-	-	22,000
Assigned	1,600,581	-	-	-	-	1,600,581
Unassigned	713,500	-	-	-	(53,218)	660,282
Total fund balances	<u>2,482,154</u>	<u>1,549,263</u>	<u>1,559,107</u>	<u>3,609,184</u>	<u>1,374,114</u>	<u>10,573,822</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,750,794</u>	<u>\$ 2,744,280</u>	<u>\$ 1,725,796</u>	<u>\$ 3,609,184</u>	<u>\$ 1,822,216</u>	<u>\$ 21,652,270</u>

See accompanying notes to the basic financial statements.

Geneva Area City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total governmental fund balances		\$ 10,573,822
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		68,399,119
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Property taxes receivable	\$ 1,563,977	
Intergovernmental receivables	128,417	
Tuition and fees	224,798	
Total		1,917,192
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		52,021
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(34,773)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (15,329,990)	
Accretion of capital appreciation bonds	(1,456,963)	
Compensated absences	(1,541,486)	
Total		(18,328,439)
Net position of governmental activities		<u>\$ 62,578,942</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, 2014

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes	\$ 6,468,915	\$ 1,172,418	\$ 165,446	\$ -	\$ 142,614	\$ 7,949,393
Intergovernmental	12,809,032	170,492	30,446	1,856	2,592,394	15,604,220
Interest	69,075	-	11,750	15,804	3,828	100,457
Tuition and fees	1,668,537	-	-	-	-	1,668,537
Extracurricular activities	77,775	-	-	-	121,218	198,993
Gifts and donations	678	-	-	-	42,518	43,196
Customer sales and service	4,697	-	-	-	319,824	324,521
Rent	6,140	-	-	-	-	6,140
Payment in lieu of taxes	45,331	-	-	-	-	45,331
Miscellaneous	38,253	-	-	-	-	38,253
Total revenues	21,188,433	1,342,910	207,642	17,660	3,222,396	25,979,041
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	9,295,548	-	-	-	186,507	9,482,055
Special	2,266,319	-	-	-	1,187,031	3,453,350
Vocational	164,660	-	-	-	-	164,660
Other	1,355,561	-	-	-	-	1,355,561
Support services:						
Pupils	978,955	-	-	-	129,639	1,108,594
Instructional staff	241,371	-	-	-	34,315	275,686
Board of education	16,259	-	-	-	-	16,259
Administration	1,735,593	-	-	-	106,153	1,841,746
Fiscal	507,642	26,165	3,732	-	21,223	558,762
Business	14,436	-	-	-	-	14,436
Operation and maintenance of plant	2,259,056	-	122,025	163,471	715,857	3,260,409
Pupil transportation	1,218,848	-	4,280	-	-	1,223,128
Central	36,239	-	-	-	-	36,239
Operation of non-instructional services	31,087	-	-	-	1,220,159	1,251,246
Extracurricular activities	428,315	-	-	-	188,095	616,410
Capital outlay	10,700	-	174,470	14,900	20,894	220,964
Debt service:						
Principal retirement	-	845,000	-	-	-	845,000
Interest and fiscal charges	-	434,190	-	-	-	434,190
Total expenditures	20,560,589	1,305,355	304,507	178,371	3,809,873	26,158,695
Excess of revenues over (under) expenditures	627,844	37,555	(96,865)	(160,711)	(587,477)	(179,654)
<u>Other financing sources (uses):</u>						
Proceeds from sale of capital assets	7,500	-	4,000	-	-	11,500
Transfers in	-	-	-	-	62,117	62,117
Transfers out	(62,117)	-	-	-	-	(62,117)
Total other financing sources (uses)	(54,617)	-	4,000	-	62,117	11,500
Net change in fund balances	573,227	37,555	(92,865)	(160,711)	(525,360)	(168,154)
Fund balances beginning of year	1,908,927	1,511,708	1,651,972	3,769,895	1,899,474	10,741,976
Fund balances end of year	\$ 2,482,154	\$ 1,549,263	\$ 1,559,107	\$ 3,609,184	\$ 1,374,114	\$ 10,573,822

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, 2014

Net change in fund balances - total governmental funds \$ (168,154)

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	\$ 220,964	
Depreciation expense	<u>(1,876,082)</u>	
Excess of depreciation expense over capital asset additions		(1,655,118)

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. (44,582)

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	\$ 442,332	
Intergovernmental	73,807	
Tuition and fees	<u>224,489</u>	
Net change in deferred inflows of resources during the year		740,628

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 845,000

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	\$ 20,185	
Decrease in accrued interest	<u>2,398</u>	
Total additional expenses		22,583

The accretion of capital appreciation bond is reflected as an expense in the statement of activities. (221,080)

The internal service fund used by management to charge the costs of dental claims to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 19,069

Change in net position of governmental activities \$ (461,654)

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 6,520,982	\$ 6,532,505	\$ 6,532,505	\$ -
Intergovernmental	12,252,623	12,689,951	12,689,951	-
Interest	25,000	48,499	49,152	653
Tuition and fees	1,584,284	1,667,902	1,667,902	-
Extracurricular activities	76,000	77,675	77,775	100
Gifts and donations	5,300	678	678	-
Customer sales and service	4,300	4,390	4,394	4
Rent	500	6,410	6,140	(270)
Payment in lieu of taxes	45,331	45,331	45,331	-
Miscellaneous	2,300	1,347	1,347	-
Total revenues	20,516,620	21,074,688	21,075,175	487
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,427,132	9,462,132	9,315,982	146,150
Special	2,706,716	2,401,716	2,256,356	145,360
Vocational	164,645	172,645	165,127	7,518
Other	1,262,220	1,374,220	1,370,489	3,731
Support services:				
Pupils	1,065,339	1,077,339	1,030,992	46,347
Instructional staff	99,273	289,773	253,031	36,742
Board of education	19,150	16,620	16,309	311
Administration	1,851,859	1,933,859	1,849,887	83,972
Fiscal	532,549	543,549	510,405	33,144
Business	29,200	2,000	15,335	(13,335)
Operation and maintenance of plant	1,939,989	2,300,989	2,274,318	26,671
Pupil transportation	1,323,354	1,378,354	1,330,611	47,743
Central	32,318	57,318	37,315	20,003
Operation of non-instructional services	31,300	31,640	31,328	312
Extracurricular activities	441,929	447,079	427,154	19,925
Capital outlay	9,200	14,700	14,170	530
Total expenditures	20,936,173	21,503,933	20,898,809	605,124
Excess of revenues over (under) expenditures	(419,553)	(429,245)	176,366	605,611
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	61,400	79,500	68,600	(10,900)
Refund of prior year expenditures	65,000	161,538	161,538	-
Insurance recoveries	3,000	10,323	10,323	-
Transfers out	(88,000)	(88,000)	(84,117)	3,883
Total other financing sources (uses)	41,400	163,361	156,344	(7,017)
Net change in fund balance	(378,153)	(265,884)	332,710	598,594
Fund balance at beginning of year	2,687,978	2,687,978	2,687,978	-
Prior year encumbrances appropriated	125,143	125,143	125,143	-
Fund balance at end of year	\$ 2,434,968	\$ 2,547,237	\$ 3,145,831	\$ 598,594

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2014

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 71,588
Total assets	<u>71,588</u>
<u>Liabilities:</u>	
Claims payable	<u>19,567</u>
<u>Net position:</u>	
Unrestricted	<u>52,021</u>
Total liabilities and net position	<u>\$ 71,588</u>

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	<u>Self Insurance</u>
<u>Operating revenues</u>	
Charges for services	<u>\$ 228,411</u>
 <u>Operating expenses:</u>	
Purchased services	12,091
Claims	<u>197,251</u>
Total operating expenses	<u>209,342</u>
 Change in net position	19,069
 Net position at beginning of year	<u>32,952</u>
Net position at end of year	<u><u>\$ 52,021</u></u>

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 228,509
Cash payments to suppliers for goods and services	(12,091)
Cash payments for claims	(190,582)
Net cash provided by operating activities	<u>25,836</u>
Net increase in cash and cash equivalents	25,836
Cash and cash equivalents at beginning of year	<u>45,752</u>
Cash and cash equivalents at end of year	<u><u>\$ 71,588</u></u>
Reconciliation of operating income to net cash <u>provided by operating activities:</u>	
Operating income	<u>\$ 19,069</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	98
Increase (decrease) in liabilities:	
Claims payable	<u>6,669</u>
Total adjustments	<u>6,767</u>
Net cash provided by operating activities	<u><u>\$ 25,836</u></u>

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trusts	
	Scholarship	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 45,131	\$ 10,541
Cash and cash equivalents in segregated accounts	-	77,123
Receivable:		
Accrued interest	-	175
Total assets	<u>\$ 45,131</u>	<u>\$ 87,839</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 426
Undistributed monies	-	10,541
Due to students	-	76,872
Total liabilities	<u>-</u>	<u>\$ 87,839</u>
<u>Net position:</u>		
Held in trust for scholarships	45,131	
Total net position	<u>\$ 45,131</u>	

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
	<u>Scholarship</u>
<u>Additions:</u>	
Interest	\$ 348
<u>Deductions:</u>	
Scholarship awards	<u>200</u>
Change in net position	148
Net position beginning of year	<u>44,983</u>
Net position end of year	<u>\$ 45,131</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, 2014

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 June 30, 2014, was 2,604. The School District employed 161 certified employees and 93 non-certificated employees.

The School District provides regular, special, vocational and other instruction. The School District also provides support services for pupils, instructional staff, board of education, administration, fiscal, operation and maintenance of plant and pupil transportation. Operation of non-instructional services, extracurricular activities and non-programmed services are also provided.

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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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 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 Technical and Career Campus, 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.

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 three categories: governmental, proprietary 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 four 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Bond Retirement Fund – This debt service fund is used to account for the financial resources, such as property taxes, collected and used for the repayment of debt of the School District as well the Library debt.

Permanent Improvement Fund – This capital projects fund is used to account for all transaction related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705.

Classroom Facilities Fund – This capital projects fund is used to account for all transactions related to Ohio Classroom Facilities construction projects.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement expenses for dental claims of School District employees.

Fiduciary Fund Types Fiduciary funds reporting focuses on net position and changes in net position. 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 a student activities fund which accounts for activities for students and the other is used to account for money temporarily held for Ohio High School Athletic Association (OHSAA) tournaments.

C. Basis of Presentation

Government-wide Financial Statements The statement of net position 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. 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 of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

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. Proprietary and fiduciary funds 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Nonexchange 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 nonexchange transactions must also be available before it can be recognized.

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

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

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.

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any deferred outflows of resources at year end.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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.
- 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.

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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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." Also, the School District maintains segregated accounts for the classroom facilities, district managed activity and student managed activity funds, which is presented as "Cash and cash equivalents in segregated accounts".

During the fiscal year all investments were limited to certificates of deposit and instruments of government sponsored mortgage-backed securities. 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

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, laws of other governments, or enabling legislation. The School District expended all restricted assets in accordance with specific restrictions during the fiscal year. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance restriction.

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, 2014, 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, 2014. 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, 2014 and accordingly have been recorded as deferred inflows of resources – property taxes in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred inflows of resources – delinquent property taxes until they are determined to be uncollectible.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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 position, but are not reported in the fund financial statements. The School District maintains a capitalization threshold of five thousand dollars.

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. 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 life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<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 position.

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 are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid from them are not resented on the financial statements.

N. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

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

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Q. Net Position

Net position represents the difference between assets and liabilities. Net investment of capital assets 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 position is 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 position are available.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

S. 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 – FUND BALANCES

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

Fund Balances	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>						
Materials and supplies inventory	\$ 66,664	\$ -	\$ -	\$ -	\$ -	\$ 66,664
Prepays	<u>79,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,409</u>
Total nonspendable	<u>146,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,073</u>
<u>Restricted for</u>						
Athletics and music	-	-	-	-	93,900	93,900
Auxiliary services	-	-	-	-	10,566	10,566
Classroom facilities maintenance	-	-	-	-	347,814	347,814
Capital improvements	-	-	1,559,107	3,609,184	808,705	5,976,996
Instructional programs	-	-	-	-	46,561	46,561
Special education	-	-	-	-	97,330	97,330
Scholarships and awards	-	-	-	-	22,443	22,443
Extended learning	-	-	-	-	13	13
Debt service payments	<u>-</u>	<u>1,549,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,549,263</u>
Total restricted	<u>-</u>	<u>1,549,263</u>	<u>1,559,107</u>	<u>3,609,184</u>	<u>1,427,332</u>	<u>8,144,886</u>
<u>Committed</u>						
Underground storage tanks	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
<u>Assigned</u>						
Encumbrances	204,605	-	-	-	-	204,605
Next fiscal year budget	<u>1,395,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,395,976</u>
Total assigned	<u>1,600,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,581</u>
Unassigned (deficit)	<u>713,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,218)</u>	<u>660,282</u>
Total fund balances	<u>\$ 2,482,154</u>	<u>\$ 1,549,263</u>	<u>\$ 1,559,107</u>	<u>\$ 3,609,184</u>	<u>\$ 1,374,114</u>	<u>\$ 10,573,822</u>

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3 – 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) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ 573,227
Revenue accruals	153,126
Adjustment to fair market value for investments:	
Prior year amount	(25,641)
Current year amount	(7,147)
Expenditure accruals	(77,196)
Budgeted as part of special revenue fund:	
Revenues	(635)
Transfers from general fund	(22,000)
Expenditures	665
Encumbrances (Budget Basis)	
outstanding at year end	<u>(261,689)</u>
Budget basis	<u>\$ 332,710</u>

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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 withdrawal 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.

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 within five years 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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.

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.

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 \$3,075 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.

At June 30, 2014, the carrying amount of the School District's deposits was \$4,652,226. The School District's bank balance of \$5,135,697 was not exposed to custodial credit risk.

Investments

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

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Investment Type	Fair		Rating ⁽¹⁾
	Value	Maturity	
Federal National Mortgage Association	\$ 299,877	8/16/2017	AA+
Federal Home Loan Bank	297,648	5/22/2018	AA+
Federal Farm Credit Bank	200,030	6/27/2018	AA+
Federal Home Loan Mortgage Corporation	251,452	3/19/2019	AA+
Federal Home Loan Bank	200,032	4/17/2017	AA+
Federal Home Loan Bank	296,679	2/21/2018	AA+
Federal Home Loan Bank	293,868	3/20/2018	AA+
Federal National Mortgage Association	199,896	3/27/2018	AA+
Federal Home Loan Bank	296,115	3/28/2018	AA+
Investments reported in classroom facilities fund:			
Federal Home Loan Bank	195,912	3/20/2018	AA+
Federal National Mortgage Association	407,672	8/18/2015	AA+
Total Government Sponsored Enterprises	<u>\$ 2,939,181</u>		

(1) Standard and Poor rating

Investment Type	Fair Value	Maturity				
		< 1 year	< 2 years	< 3 years	< 4 years	< 5 years
Investments included within pooled funds:						
Negotiable certificates of deposit	\$3,077,000	197,000	397,000	566,000	700,000	1,217,000
Investments reported in classroom facilities fund:						
Negotiable certificates of deposit	\$ 514,000	100,000	-	-	100,000	314,000

All of the School District's negotiable CDs are covered in full by FDIC insurance.

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 investments in the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) are held by the counterparty's trust department or agent and not in the School District's name. All of the School District's negotiable certificates of deposit are registered securities and covered in full by FDIC insurance. 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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 FHLB, FFCB, FHLMC and FNMA an AA+ 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 FHLB and FNMA and these investments are 38% of the School District's total investments, with negotiable CDs making up 55% of all investments. Total investments in FHLB is 24%, and FNMA is 14% of the 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 revenue credited to the general fund during the fiscal year amounted to \$69,075; which includes interest of \$26,581 assigned from other School District funds.

NOTE 5 – PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utilities) located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2014, taxes available for advance were: \$896,157 for the general fund, \$168,393 for the bond retirement debt service fund; \$23,364 for the permanent improvement capital projects fund, and \$20,476 for the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

<u>Property Category</u>	<u>2014 Assessed Value</u>	<u>2013 Assessed Value</u>
<u>Real Property</u>		
Residential, agricultural, commercial and industrial	\$ 327,006,410	\$ 335,075,220
Public utilities	150,070	142,200
<u>Tangible Personal Property</u>		
General	<u>10,173,100</u>	<u>9,293,330</u>
Total	<u>\$ 337,329,580</u>	<u>\$ 344,510,750</u>

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 1,567,440	\$ -	\$ (26,040)	\$ 1,541,400
Construction in progress	<u>-</u>	<u>135,200</u>	<u>-</u>	<u>135,200</u>
Total capital assets, not being depreciated	<u>1,567,440</u>	<u>135,200</u>	<u>(26,040)</u>	<u>1,676,600</u>
Capital assets, being depreciated:				
Land improvements	2,558,370	14,900	(64,124)	2,509,146
Buildings and improvements	70,774,522	20,894	(83,703)	70,711,713
Furniture, fixtures and equipment	1,802,737	17,744	(20,601)	1,799,880
Vehicles	<u>2,334,990</u>	<u>32,226</u>	<u>(191,382)</u>	<u>2,175,834</u>
Total capital assets, being depreciated	<u>77,470,619</u>	<u>85,764</u>	<u>(359,810)</u>	<u>77,196,573</u>
Less: Accumulated depreciation:				
Land improvements	(1,416,159)	(158,778)	64,124	(1,510,813)
Buildings and improvements	(5,637,888)	(1,412,593)	71,466	(6,979,015)
Furniture, fixtures and equipment	(571,203)	(116,207)	14,296	(673,114)
Vehicles	<u>(1,313,990)</u>	<u>(188,504)</u>	<u>191,382</u>	<u>(1,311,112)</u>
Total accumulated depreciation	<u>(8,939,240)</u>	<u>(1,876,082)</u>	<u>341,268</u>	<u>(10,474,054)</u>
Total capital assets being depreciated, net	<u>68,531,379</u>	<u>(1,790,318)</u>	<u>(18,542)</u>	<u>66,722,519</u>
Governmental activities capital assets, net	<u>\$ 70,098,819</u>	<u>\$ (1,655,118)</u>	<u>\$ (44,582)</u>	<u>\$ 68,399,119</u>

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,072,446
Special	31,112
Vocational	21,519
Support services:	
Pupil	22,790
Instructional staff	43,990
Administration	23,955
Operation and maintenance of plant	388,747
Pupil transportation	174,662
Operation of non-instructional services	57,195
Extracurricular activities	<u>39,666</u>
Total depreciation expense	<u>\$ 1,876,082</u>

NOTE 7 – RECEIVABLES

Receivables at June 30, 2014, 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:

<u>Governmental Activities</u>	<u>Amounts</u>
General:	
Special education reimbursement	\$ <u>238,162</u>
Other governmental funds:	
Grants	<u>295,688</u>
Total	<u>\$ <u>533,850</u></u>

In addition, the School District has a note receivable in the amount of \$102,300. This receivable is due to the sale of land.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:		
Nonmajor governmental funds	\$	62,117

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

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$447,818, \$442,844 and \$411,792 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates as specified above for members and 14 percent 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 STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,232,051, \$1,357,349, and \$1,431,872 respectively; 84.1 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$38,142 made by the School District and \$29,968 made by the plan members.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, several members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid. The remaining Board member contributes to SERS.

NOTE 10 – POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$47,969, \$47,857, and \$58,001 respectively; 97.4 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$25,980, \$25,016, and \$24,318 respectively; 83.3 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the years ended June 30, 2014, 2013 and 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$94,773, \$104,411 and \$110,144 respectively; 84.1 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

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 2014, the superintendent and the treasurer were granted twenty 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:

Administration Years Service	Classified Years Service	Vacation Days
1-8	1-6	10
9-17	7-14	15
18-beyond	15-beyond	20

Sick Leave/Severance Pay Each employee earns sick leave at the rate of one and one-fourth days per month to a maximum of fifteen days in any year. Effective February 17, 2012, classified employees’ sick leave was converted to hours for accumulation and usage. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for employees is 320 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 accumulated sick leave days up to a maximum of 80 days at the daily rate at the time of retirement.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Retirement pay shall be paid within thirty calendar days of the effective date of the employee's retirement. For administrative employees and any teacher actively employed on or after June 30, 2005; retiring administrators and 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 and shall be in lieu of payment being made directly to the retired employee. However, for administrators, the first thirty days of accumulated sick days must be paid and any remaining will be placed in the annuity.

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. 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 \$74,247,833 at 90% coinsurance.

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 life insurance coverage through a commercial insurance policy.

The School District uses an internal service fund to record and report its self-funded dental insurance program. The claims liability of \$19,567, reported in the fund at year end was estimated and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Changes in the fund's claims liability during 2013 and 2014 were:

	Year ended 6/30/2014	Year ended 6/30/2013
Unpaid claims, beginning of fiscal year	\$ 12,898	\$ 18,614
Incurred claims (including IBNRs)	197,251	211,180
Claim payments	(190,582)	(216,896)
Unpaid claims, end of fiscal year	\$ 19,567	\$ 12,898

NOTE 13 – LONG-TERM DEBT

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
2012 School Improvement					
Refunding	\$ 14,850,000	\$ -	\$ (75,000)	\$ 14,775,000	\$ 75,000
2003 School Improvement					
Serial bonds	770,000	-	(770,000)	-	-
Capital appreciation	554,990	-	-	554,990	206,899
Accretion on bonds	1,235,883	221,080	-	1,456,963	588,101
Total bonds	17,410,873	221,080	(845,000)	16,786,953	870,000
<u>Other Long-term obligations</u>					
Compensated absences	1,561,671	296,150	(316,335)	1,541,486	291,731
Total governmental					
long-term obligations	\$ 18,972,544	\$ 517,230	\$ (1,161,335)	\$ 18,328,439	\$ 1,161,731

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 were a combination of serial and capital appreciation bonds. A portion of these bonds have been refunded and the remaining portion will mature in fiscal year 2017. The capital appreciation bonds mature in fiscal years 2015, 2016 and 2017 with par values of \$795,000 each. The amount shown above as due within one year for the accretion on bonds includes the next semi-annual accreted amount to be taken on December 2014 when the bond comes due.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

School Improvement Refunding Bonds: On June 20, 2012, the School District issued \$14,860,000 in refunding general obligation bonds with interest rates from .9-3.375% to refund \$15,080,000 of outstanding 2003 School Improvement Bonds. In addition to the proceeds of the new bonds the School District paid an additional \$1,500,000. The net proceeds of \$14,548,108 (after payment of \$311,892 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Improvement Bonds refunded. These bonds are serial bonds. As a result of this issue, the School Improvement Bonds are considered to be defeased and the liability has been removed. The old debt has a final call date of December 1, 2013 in which the debt will be repaid.

Principal, compounded interest on capital appreciation bonds and interest requirements to retire the general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year	Principal	Compounded Interest	Interest	Total Payment
2015	\$ 281,899	\$ 588,101	\$ 416,938	\$ 1,286,938
2016	259,162	610,838	416,150	1,286,150
2017	238,929	631,071	415,250	1,285,250
2018	870,000	-	406,100	1,276,100
2019	890,000	-	388,500	1,278,500
2020-2024	4,825,000	-	1,618,709	6,443,709
2025-2029	5,515,000	-	849,256	6,364,256
2030-2031	2,450,000	-	82,609	2,532,609
Total	<u>\$ 15,329,990</u>	<u>\$ 1,830,010</u>	<u>\$ 4,593,512</u>	<u>\$ 21,753,512</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 \$337,330. The voted debt limit and margin at June 30, 2014 is \$30,359,662 and \$15,029,672.

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 \$48,537 to NEOMIN.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Superintendents and Treasurers 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 2014. 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 Technical and Career Campus The School District is a member of the Ashtabula County Technical and Career Campus which 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 Technical and Career Campus.

NOTE 15 – CONTINGENCIES

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

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, 2014.

NOTE 16 – STATUTORY RESERVES

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance <u>Reserve</u>
Set-aside cash balance as of June 30, 2013	\$ -
Current year set-aside requirement	443,371
Current year offset	<u>(1,242,786)</u>
Set-aside cash balance as of June 30, 2014	<u>\$ (799,415)</u>
Cash balance carried forward to 2015	<u><u>\$ -</u></u>

NOTE 17 – FUND DEFICITS

As of June 30, 2014, several funds had deficit fund balances. These deficits were caused by the application of GAAP. The deficit balance will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had a deficit balance:

<u>Fund</u>	<u>Deficit Balance</u>
Nonmajor special revenue fund:	
Lunchroom	\$ 51,959
Improving teacher quality	1,259

NOTE 18 – CONSTRUCTION COMMITMENTS/ENCUMBRANCES

At the close of fiscal year 2014, the School District had contractual commitments of \$433,922 related to the Ohio School Facilities projects. These commitments are due to the construction projects being reported in the classroom facilities fund. The School District also had encumbrance commitments in the amount of \$83,110 and \$175,428 for the purchase of new computers and new school buses.