

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

Basic Financial Statements  
For Fiscal Year Ended: June 30, 2012



***Geneva Area City School District***  
Basic Financial Statements  
Fiscal Year Ended June 30, 2012

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**Geneva Area City School District**  
**Ashtabula County**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
*Unaudited*

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As management of the Geneva Area City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2012. 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 \$21.8 million in revenue or 57% of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$16.2 million or 43% of total governmental revenues of \$38.0 million.
- The School District had \$28.1 million in expenses related to governmental activities; but \$16.2 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 \$21.8 million were adequate to provide for these programs, resulting in an increase in net assets of \$9,946,216 or 18.3%.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of about \$11.6 million, a decrease of \$3,896,453 from the prior year.
- During the year the School District made significant progress on new construction of buildings as part of the Ohio School Facilities Program.

**Overview of the Financial Statements**

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

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

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

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

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

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

The basic fund financial statements can be found on pages 14-18 of this report.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on page 22-23 of this report.

***Notes to the Financial Statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 24 of this report.

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**Government-wide Financial Analysis**

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

Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
Current and other assets	\$ 21,503,475	\$ 25,362,491
Capital assets	70,611,413	58,319,357
Total assets	<u>92,114,888</u>	<u>83,681,848</u>
<b>Liabilities:</b>		
Current liabilities	8,212,406	8,803,060
Long-term liabilities	<u>19,521,958</u>	<u>20,444,480</u>
Total liabilities	<u>27,734,364</u>	<u>29,247,540</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	53,681,423	40,449,367
Restricted net assets	8,379,770	13,455,761
Unrestricted net assets	<u>2,319,331</u>	<u>529,180</u>
Total net assets	<u>\$ 64,380,524</u>	<u>\$ 54,434,308</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets exceeded liabilities by \$64.4 million at June 30, 2012.

A portion of the School District's net assets, \$53.7 million, reflects its investment in capital assets (e.g., land, construction in progress, 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 assets, \$8.4 million or 13.0%, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$.8 million, or 1.2%, is restricted for debt service payments; \$6.4 million, or 10.0%, is restricted for capital projects; and \$1.2 million or 1.8%, is restricted for other purposes. The remaining significant balance of government-wide unrestricted net assets of \$2.3 million may be used to meet the government's ongoing obligations to students and staff.

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The table below shows the change in net assets for fiscal years 2012 and 2011.

Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 2,290,943	\$ 2,090,897
Operating grants and contributions	3,417,479	3,684,580
Capital grants and contributions	10,521,522	8,129,070
General revenues:		
Property taxes	8,546,589	8,662,473
Grants and entitlements	12,953,489	12,946,187
Investment earnings	33,151	43,995
Payments in lieu of taxes	114,696	141,103
Miscellaneous	196,979	118,760
Total revenues	<u>38,074,848</u>	<u>35,817,065</u>
<b>Expenses</b>		
Instruction:		
Regular	10,577,413	10,995,831
Special	3,548,848	3,568,527
Vocational	263,599	414,808
Other	1,208,966	1,294,273
Support services:		
Pupils	1,274,038	1,462,694
Instructional staff	600,883	611,542
Board of education	17,526	21,261
Administration	1,963,260	1,951,724
Fiscal	552,210	548,785
Business	30,752	37,176
Operation and maintenance of plant	2,449,292	3,940,309
Pupil transportation	1,538,454	1,550,198
Central	22,349	3,576
Operation of non-instructional services	1,477,031	1,494,348
Extracurricular activities	742,038	753,101
Fiscal and interest charges	1,861,973	924,672
Total expenses	<u>28,128,632</u>	<u>29,572,825</u>
Increase (decrease) in net assets	9,946,216	6,244,240
Net assets beginning of year	<u>54,434,308</u>	<u>48,190,068</u>
Net assets end of year	<u>\$ 64,380,524</u>	<u>\$ 54,434,308</u>

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***Governmental Activities***

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated approximately \$8.5 million in 2012. General revenues from grants and entitlements, such as the school foundation program, generated over \$12.9 million. With the combination of taxes and intergovernmental funding 56.5% 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 \$15,598,826 or 55.5% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses decreased \$674,613, or 4.2% 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 \$1,874,921, or 6.7% of the total governmental program expenses. Expenses to provide these programs decreased \$199,315 or 9.6%, as compared to fiscal year 2011.

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 \$2,563,748, or 9.1% of governmental program expenses. Costs of these programs increased \$4,802, or .2%, 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 \$2,449,292, or 8.7% of the governmental program expenses. These expenses decreased \$1,491,017, or 37.8% as compared to fiscal year 2011. Expenses of this program decreased as costs associated with building maintenance and non-capital related building and construction costs decreased. A significant part of this decrease is related to corrections made to the new construction in the prior year.

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 \$1,538,454 or 5.5% of the total governmental program expenditures. Expenses for providing this program decreased \$11,744, or .8% as compared to the prior year. The primary cause of this decrease 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 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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	Governmental Activities			
	Total Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2012</u>	Net Cost of Services <u>2011</u>
<b><u>Program Expenses:</u></b>				
Instruction:				
Regular	10,577,413	\$ 10,995,831	\$ 2,550,619	\$ (162,255)
Special	3,548,848	3,568,527	(2,467,816)	(2,172,843)
Vocational	263,599	414,808	(263,599)	(414,808)
Other	1,208,966	1,294,273	(1,208,966)	(1,294,273)
Support services:				
Pupils	1,274,038	1,462,694	(1,132,949)	(1,278,812)
Instructional staff	600,883	611,542	(470,796)	(606,503)
Board of education	17,526	21,261	(17,526)	(21,261)
Administration	1,963,260	1,951,724	(1,869,761)	(1,951,724)
Fiscal	552,210	548,785	(552,210)	(548,785)
Business	30,752	37,176	(30,752)	(37,176)
Operation and maintenance of plant	2,449,292	3,940,309	(2,349,191)	(3,938,620)
Pupil transportation	1,538,454	1,550,198	(1,538,454)	(1,550,198)
Central	22,349	3,576	(22,349)	(3,576)
Operation non-instructional services	1,477,031	1,494,348	(72,398)	(167,782)
Extracurricular activities	742,038	753,101	(590,567)	(594,990)
Interest and fiscal charges	<u>1,861,973</u>	<u>924,672</u>	<u>(1,861,973)</u>	<u>(924,672)</u>
Total	<u>\$ 28,128,632</u>	<u>\$ 29,572,825</u>	<u>\$ (11,898,688)</u>	<u>\$ (15,668,278)</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 \$52,675,505 (including \$14,860,000 received from the par value of refunding bonds) and total expenditures and other financing uses were \$56,571,958 (including \$14,548,108 remitted to the bond refunding agent from the new bond proceeds). The net change in fund balance was significant in the general fund with an increase of \$1,106,737. This increase is largely attributed to the decreased expenditures in several programs and a slight increase in tuition and fees revenues.

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Fund Balances

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 2,395,150	\$ 1,288,413	\$ 1,106,737	85.90%
Bond retirement	1,662,297	2,997,240	(1,334,943)	-44.54%
Permanent improvement	1,391,113	1,409,037	(17,924)	-1.27%
Classroom facilities	4,210,902	7,924,295	(3,713,393)	-46.86%
Other governmental	<u>1,901,787</u>	<u>1,838,717</u>	<u>63,070</u>	3.43%
Total	<u>\$ 11,561,249</u>	<u>\$ 15,457,702</u>	<u>\$ (3,896,453)</u>	

The School District's general fund revenues increased \$155,443 and expenditures decreased \$1,397,669 from 2011. The most significant change for revenues was an increase of \$116,724 in tuition and fees. Total expenditures decreased mainly in the area of instruction and related services provided to students.

Change in Financial Activities for the General Fund

	2012 <u>Amount</u>	2011 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,498,314	\$ 6,604,212	(105,898)	-1.60%
Intergovernmental	12,722,374	12,739,867	(17,493)	-0.14%
Interest	23,889	28,293	(4,404)	-15.57%
Tuition and fees	1,695,701	1,578,977	116,724	7.39%
Extracurricular activities	500	-	500	0.00%
Gifts and donations	53,559	840	52,719	6276.07%
Customer sales and service	5,076	4,093	983	24.02%
Rent	100,101	1,689	98,412	5826.64%
Payment in lieu of taxes	114,696	141,103	(26,407)	-18.71%
Miscellaneous	<u>96,804</u>	<u>56,497</u>	<u>40,307</u>	71.34%
Total	<u>\$ 21,311,014</u>	<u>\$ 21,155,571</u>	<u>\$ 155,443</u>	
<b><u>Expenditures:</u></b>				
Instruction	\$ 12,717,090	\$ 13,431,181	\$ (714,091)	-5.32%
Support services	6,973,455	7,591,071	(617,616)	-8.14%
Non-instructional services	2,893	33,790	(30,897)	-91.44%
Extracurricular activities	452,297	484,475	(32,178)	-6.64%
Capital outlay	<u>21,190</u>	<u>24,077</u>	<u>(2,887)</u>	-11.99%
Total	<u>\$ 20,166,925</u>	<u>\$ 21,564,594</u>	<u>\$ (1,397,669)</u>	

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***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 2012, 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 \$21,484,088, representing a slight increase from the original budget estimate of \$21,385,581. This \$134,064 difference was mainly due to an increase in other financing sources from original estimates. Actual receipts of \$21,483,336 were very close to the final budget basis revenue estimate.

The original expenditure budget of \$21,764,111 was revised during the fiscal year with a final budget amount of \$21,898,175. Actual expenditures plus encumbrances of \$20,697,749 reported significant variances as compared to the original and final expenditure budgets. The School District ended the year at approximately \$1.2 million under budget. The mild winter contributed to significant decreases in expenditures as compared to prior years. As a result of this past winter the School District didn't have any calamity days and experienced reduced costs related to payroll for substitutes, as well as other operating and maintenance costs such as fuel, snow removal services, and utilities.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012, the School District had \$70,611,413 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2012 balances compared to fiscal year 2011.

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 1,573,850	\$ 1,618,970
Construction in progress	18,157,350	4,768,145
Land improvements	493,343	143,923
Buildings and improvements	48,455,230	49,715,614
Furniture, fixtures and equipment	957,697	1,103,239
Vehicles	973,943	969,466
Total capital assets	<u>\$ 70,611,413</u>	<u>\$ 58,319,357</u>

Capital assets increased \$12,292,056 from 2011, due mainly from current year construction additions exceeding depreciation expenses and disposals. See Note 6 to the basic financial statements for detail on the School District's capital assets.

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***Debt***

At June 30, 2012, the School District had \$16,929,990 in general obligation bonds. Of this total, \$755,000 is due within one year and \$16,174,990 is due more than one year. In addition to the principal amounts shown below, an amount of accreted interest on the capital appreciation bonds amounted to \$1,039,098. The following table summarizes the bonds outstanding.

Outstanding Debt at Fiscal Year End

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
General obligation bonds:		
School improvement/refunding	\$ 16,929,990	\$ 17,869,990

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

**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, state budget cuts over the last four years and projected deficits on the five-year forecast forced the School District to go on the ballot in November 2011 and August 2012 for an emergency operating levy. Both attempts were soundly defeated by voters. 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.

**Geneva Area City School District**

**Statement of Net Assets**

**June 30, 2012**

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 6,149,453
Cash and cash equivalents:	
In segregated accounts	4,216,083
With fiscal agents	15,000
Investments in segregated accounts	1,002,560
Receivables:	
Taxes	9,238,726
Accounts	48,776
Intergovernmental	414,838
Accrued interest	12,437
Prepaid items	32,604
Inventory held for resale	24,779
Materials and supplies inventory	36,327
Deferred charges	311,892
Capital assets:	
Land	1,573,850
Construction in progress	18,157,350
Depreciable capital assets, net	50,880,213
Total capital assets	<u>70,611,413</u>
Total assets	<u>92,114,888</u>
 <u>Liabilities:</u>	
Accounts payable	77,422
Contracts payable	990,684
Accrued wages and benefits	2,140,598
Intergovernmental payable	554,217
Accrued interest payable	35,674
Matured bonds payable	15,000
Claims payable	18,614
Deferred revenue	4,380,197
Long-term liabilities:	
Due within one year	1,068,223
Due in more than one year	18,453,735
Total liabilities	<u>27,734,364</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	53,681,423
Restricted for:	
Capital projects	6,438,870
Debt service	766,512
Other purposes	1,174,388
Unrestricted	2,319,331
Total net assets	<u>\$ 64,380,524</u>

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Statement of Activities**  
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	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 10,577,413	\$ 1,599,676	\$ 1,006,834	\$ 10,521,522	\$ 2,550,619
Special	3,548,848	101,101	979,931	-	(2,467,816)
Vocational	263,599	-	-	-	(263,599)
Other	1,208,966	-	-	-	(1,208,966)
Support services:					
Pupils	1,274,038	-	141,089	-	(1,132,949)
Instructional staff	600,883	-	130,087	-	(470,796)
Board of education	17,526	-	-	-	(17,526)
Administration	1,963,260	-	93,499	-	(1,869,761)
Fiscal	552,210	-	-	-	(552,210)
Business	30,752	-	-	-	(30,752)
Operation and maintenance of plant	2,449,292	100,101	-	-	(2,349,191)
Pupil transportation	1,538,454	-	-	-	(1,538,454)
Central	22,349	-	-	-	(22,349)
Operation of non-instructional services	1,477,031	359,187	1,045,446	-	(72,398)
Extracurricular activities	742,038	130,878	20,593	-	(590,567)
Interest and fiscal charges	1,861,973	-	-	-	(1,861,973)
<b>Total governmental activities</b>	<b>\$ 28,128,632</b>	<b>\$ 2,290,943</b>	<b>\$ 3,417,479</b>	<b>\$ 10,521,522</b>	<b>(11,898,688)</b>

**General Revenues:**

Property taxes levied for:

General purposes	\$ 6,728,303
Debt service	1,495,338
Capital outlay	322,948
Grants and entitlements not restricted to specific programs	12,953,489
Investment earnings	33,151
Payment in lieu of taxes	114,696
Miscellaneous	196,979
<b>Total general revenues</b>	<b>21,844,904</b>
Change in net assets	9,946,216
Net assets beginning of year	54,434,308
Net assets end of year	<b>\$ 64,380,524</b>

See accompanying notes to the basic financial statements.

**Geneva Area City School District**

**Balance Sheet**

**Governmental Funds**

**June 30, 2012**

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 1,892,936	\$ 1,060,682	\$ 1,321,767	\$ 62,132	\$ 1,765,714	\$ 6,103,231
Cash and cash equivalents:						
With fiscal agent	-	15,000	-	-	-	15,000
In segregated accounts	-	-	-	4,123,069	93,014	4,216,083
Investments in segregated accounts	-	-	-	1,002,560	-	1,002,560
Receivables:						
Taxes	7,259,251	1,631,044	186,660	-	161,771	9,238,726
Accounts	48,346	-	-	-	385	48,731
Intergovernmental	-	-	-	44,138	370,700	414,838
Accrued interest	7,074	-	-	5,363	-	12,437
Inventory held for resale	-	-	-	-	24,779	24,779
Materials and supplies inventory	31,753	-	-	-	4,574	36,327
Prepaid items	32,604	-	-	-	-	32,604
<b>Total assets</b>	<b>9,271,964</b>	<b>2,706,726</b>	<b>1,508,427</b>	<b>5,237,262</b>	<b>2,420,937</b>	<b>21,145,316</b>
<u>Liabilities:</u>						
Accounts payable	21,931	1,100	-	35,676	18,715	77,422
Contracts payable	-	-	-	990,684	-	990,684
Accrued wages and benefits	1,845,651	-	-	-	294,947	2,140,598
Intergovernmental payable	462,685	-	-	-	91,532	554,217
Matured bonds payable	-	15,000	-	-	-	15,000
Deferred revenue	4,546,547	1,028,329	117,314	-	113,956	5,806,146
<b>Total liabilities</b>	<b>6,876,814</b>	<b>1,044,429</b>	<b>117,314</b>	<b>1,026,360</b>	<b>519,150</b>	<b>9,584,067</b>
<u>Fund balances:</u>						
Nonspendable	64,357	-	-	-	29,353	93,710
Restricted	-	1,662,297	1,391,113	4,210,902	1,962,773	9,227,085
Assigned	728,762	-	-	-	-	728,762
Unassigned	1,602,031	-	-	-	(90,339)	1,511,692
<b>Total fund balances</b>	<b>2,395,150</b>	<b>1,662,297</b>	<b>1,391,113</b>	<b>4,210,902</b>	<b>1,901,787</b>	<b>11,561,249</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,271,964</b>	<b>\$ 2,706,726</b>	<b>\$ 1,508,427</b>	<b>\$ 5,237,262</b>	<b>\$ 2,420,937</b>	<b>\$ 21,145,316</b>

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2012**

Total governmental fund balances		\$ 11,561,249
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		70,611,413
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes receivable	\$ 1,413,988	
Intergovernmental receivables	11,961	
Total	<u>1,425,949</u>	1,425,949
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 assets.		27,653
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(35,674)
Deferred charges are included in the governmental activities in the statement of net assets.		311,892
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (16,929,990)	
Accretion of capital appreciation bonds	(1,039,098)	
Compensated absences	(1,552,870)	
Total	<u>(19,521,958)</u>	<u>(19,521,958)</u>
Net assets of governmental activities		<u>\$ 64,380,524</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, 2012**

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes	\$ 6,498,314	\$ 1,452,840	\$ 166,661	\$ -	\$ 144,040	\$ 8,261,855
Intergovernmental	12,722,374	212,350	33,449	10,403,687	3,447,895	26,819,755
Interest	23,889	-	6,216	37,132	3,200	70,437
Tuition and fees	1,695,701	-	-	-	-	1,695,701
Extracurricular activities	500	-	-	-	130,378	130,878
Gifts and donations	53,559	-	-	-	23,488	77,047
Customer sales and service	5,076	-	-	-	359,187	364,263
Rent	100,101	-	-	-	-	100,101
Payment in lieu of taxes	114,696	-	-	-	-	114,696
Miscellaneous	96,804	-	-	-	46,616	143,420
Total revenues	<u>21,311,014</u>	<u>1,665,190</u>	<u>206,326</u>	<u>10,440,819</u>	<u>4,154,804</u>	<u>37,778,153</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	8,893,861	-	-	-	932,102	9,825,963
Special	2,345,687	-	-	-	985,472	3,331,159
Vocational	268,576	-	-	-	-	268,576
Other	1,208,966	-	-	-	-	1,208,966
Support services:						
Pupils	1,139,002	-	-	-	120,781	1,259,783
Instructional staff	438,847	-	-	-	139,259	578,106
Board of education	17,526	-	-	-	-	17,526
Administration	1,737,929	-	-	-	175,992	1,913,921
Fiscal	492,589	33,996	4,121	-	21,288	551,994
Business	30,752	-	-	-	-	30,752
Operation and maintenance of plant	1,811,774	-	9,550	211,724	147,126	2,180,174
Pupil transportation	1,282,687	-	-	-	2,300	1,284,987
Central	22,349	-	-	-	-	22,349
Operation of non-instructional services	2,893	-	-	-	1,398,726	1,401,619
Extracurricular activities	452,297	-	-	-	192,740	645,037
Capital outlay	21,190	-	210,579	13,942,488	13,300	14,187,557
Debt service:						
Principal retirement	-	720,000	-	-	-	720,000
Interest and fiscal charges	-	746,137	-	-	-	746,137
Bond issuance costs	-	311,892	-	-	-	311,892
Advance refunding escrow	-	1,500,000	-	-	-	1,500,000
Total expenditures	<u>20,166,925</u>	<u>3,312,025</u>	<u>224,250</u>	<u>14,154,212</u>	<u>4,129,086</u>	<u>41,986,498</u>
Excess of revenues over (under) expenditures	<u>1,144,089</u>	<u>(1,646,835)</u>	<u>(17,924)</u>	<u>(3,713,393)</u>	<u>25,718</u>	<u>(4,208,345)</u>
<u>Other financing sources (uses):</u>						
Refunding bonds issued	-	14,860,000	-	-	-	14,860,000
Payment to refunded bond escrow agent	-	(14,548,108)	-	-	-	(14,548,108)
Transfers in	-	-	-	-	37,352	37,352
Transfers out	(37,352)	-	-	-	-	(37,352)
Total other financing sources (uses)	<u>(37,352)</u>	<u>311,892</u>	<u>-</u>	<u>-</u>	<u>37,352</u>	<u>311,892</u>
Net change in fund balances	1,106,737	(1,334,943)	(17,924)	(3,713,393)	63,070	(3,896,453)
Fund balances beginning of year	1,288,413	2,997,240	1,409,037	7,924,295	1,838,717	15,457,702
Fund balances end of year	<u>\$ 2,395,150</u>	<u>\$ 1,662,297</u>	<u>\$ 1,391,113</u>	<u>\$ 4,210,902</u>	<u>\$ 1,901,787</u>	<u>\$ 11,561,249</u>

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

Net change in fund balances - total governmental funds \$ (3,896,453)

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	\$	14,187,557	
Depreciation expense		<u>(1,482,821)</u>	
Excess of capital asset additions over depreciation expense			12,704,736

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. (412,680)

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	\$	284,734	
Intergovernmental		<u>11,961</u>	
Net change in deferred revenues during the year			296,695

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 720,000

The issuance of refunding bonds resulted in other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as liabilities or in the case of issuance costs, an asset.

Payment to refunded bond escrow agent		16,048,108	
Proceeds from refunding bonds		(14,860,000)	
Interest payment on refunding bonds		(968,108)	
Issuance costs		<u>311,892</u>	
Net change caused by the issuance of refunding bonds			531,892

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	\$	157,681	
Decrease in accrued interest		<u>27,431</u>	
Total additional expenses			185,112

The accretion of capital appreciation bond is reflected as an expense in the statement of activities. (175,159)

The internal service fund used by management to charge the costs of dental claims to individual funds are not reported in the statement of activities.

Governmental fund expenditures and related internal service fund revenues are eliminated. (7,927)

Change in net assets of governmental activities \$ 9,946,216

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 6,740,630	\$ 6,606,861	\$ 6,606,861	\$ -
Intergovernmental	12,876,233	12,722,374	12,722,374	-
Interest	60,000	26,372	25,862	(510)
Tuition and fees	1,537,622	1,692,611	1,692,259	(352)
Extracurricular activities	-	300	500	200
Gifts and donations	940	53,559	53,559	-
Customer sales and service	4,100	5,034	5,035	1
Rent	1,700	100,101	100,101	-
Payment in lieu of taxes	114,696	114,696	114,696	-
Miscellaneous	2,400	2,400	2,309	(91)
Total revenues	21,338,321	21,324,308	21,323,556	(752)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,341,006	9,382,513	9,027,273	355,240
Special	2,430,074	2,478,667	2,372,858	105,809
Vocational	396,550	397,850	307,167	90,683
Other	1,264,647	1,265,647	1,209,274	56,373
Support services:				
Pupils	1,281,344	1,288,255	1,237,054	51,201
Instructional staff	468,550	472,450	459,110	13,340
Board of education	21,150	19,274	17,576	1,698
Administration	1,887,646	1,890,646	1,763,639	127,007
Fiscal	505,682	513,782	496,897	16,885
Business	37,180	37,232	37,232	-
Operation and maintenance of plant	2,120,604	2,099,129	1,881,997	217,132
Pupil transportation	1,297,358	1,377,958	1,326,478	51,480
Central	23,618	23,618	22,615	1,003
Operation of non-instructional services	32,140	33,740	1,054	32,686
Extracurricular activities	487,823	494,833	484,973	9,860
Capital outlay	52,764	17,581	15,200	2,381
Total expenditures	21,648,136	21,793,175	20,660,397	1,132,778
Excess of revenues over (under) expenditures	(309,815)	(468,867)	663,159	1,132,026
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	24,260	69,328	69,328	-
Refund of prior year expenditures	22,000	82,549	82,549	-
Insurance recoveries	1,000	7,903	7,903	-
Transfers out	(115,975)	(105,000)	(37,352)	67,648
Total other financing sources (uses)	(68,715)	54,780	122,428	67,648
Net change in fund balance	(378,530)	(414,087)	785,587	1,199,674
Fund balance at beginning of year	807,571	807,571	807,571	-
Prior year encumbrances appropriated	99,851	99,851	99,851	-
Fund balance at end of year	\$ 528,892	\$ 493,335	\$ 1,693,009	\$ 1,199,674

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Statement of Fund Net Assets**  
**Internal Service Fund**  
**June 30, 2012**

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 46,222
Accounts receivable	45
Total assets	<u>46,267</u>
<u>Liabilities:</u>	
Claims payable	<u>18,614</u>
<u>Net assets:</u>	
Unrestricted	<u>27,653</u>
Total liabilities and net assets	<u>\$ 46,267</u>

See accompanying notes to the basic financial statements.

***Geneva Area City School District***  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Self Insurance
<u>Operating revenues</u>	
Charges for services	\$ 243,500
<u>Operating expenses:</u>	
Purchased services	11,477
Claims	239,950
Total operating expenses	251,427
Change in net assets	(7,927)
Net assets at beginning of year	35,580
Net assets at end of year	\$ 27,653

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, 2012**

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 243,577
Cash payments to suppliers for goods and services	(11,477)
Cash payments for claims	(248,675)
Net cash provided by operating activities	<u>(16,575)</u>
Net increase in cash and cash equivalents	(16,575)
Cash and cash equivalents at beginning of year	<u>62,797</u>
Cash and cash equivalents at end of year	<u><u>\$ 46,222</u></u>
Reconciliation of operating income to net cash <u>provided by operating activities:</u>	
Operating income	<u>\$ (7,927)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	77
Increase (decrease) in liabilities:	
Claims payable	<u>(8,725)</u>
Total adjustments	<u>(8,648)</u>
Net cash used for operating activities	<u><u>\$ (16,575)</u></u>

See accompanying notes to the basic financial statements.

**Geneva Area City School District**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	Private Purpose Trusts	
	Scholarship	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 44,926	\$ 8,538
Cash and cash equivalents in segregated accounts	-	69,405
Receivable:		
Accounts	-	275
Accrued interest	-	35
Total assets	<u>\$ 44,926</u>	<u>\$ 78,253</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 310
Undistributed monies	-	8,538
Due to students	-	69,405
Total liabilities	<u>-</u>	<u>\$ 78,253</u>
<u>Net assets:</u>		
Held in trust for scholarships	44,926	
Total net assets	<u>\$ 44,926</u>	

See accompanying notes to the basic financial statements.

***Geneva Area City School District***  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Private Purpose Trust
	<u>Scholarship</u>
<u>Additions:</u>	
Interest	\$ 204
<u>Deductions:</u>	
Scholarship awards	<u>207</u>
Change in net assets	(3)
Net assets beginning of year	<u>44,929</u>
Net assets end of year	<u>\$ 44,926</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, 2012

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

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

**A. Reporting Entity**

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

Average daily membership (ADM) as of June 30, 2012, was 2,637. The School District employed 171 certified employees and 99 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, 2012

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

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

The School District 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, 2012

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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 Improvements 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 far all transactions related to Ohio Classroom Facilities construction projects.

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

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

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

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

**Geneva Area City School District**  
**Ashtabula County**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2012

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

***Fund Financial Statements*** 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 assets. The statement of revenues, expenses and changes in fund net assets 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. Fiduciary fund also use the accrual basis of accounting.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

**E. Budget and Budgetary Accounting**

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

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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.

#### **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".

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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**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish amounts required to be set aside for the purchase of textbooks and instructional materials.

**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, 2012, 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, 2012. 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, 2012 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**K. Capital Assets**

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. The School District maintains a capitalization threshold of five thousand dollars.

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

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful 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 assets.

**M. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment 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. 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.

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

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

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

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

**P. Fund Balance**

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.

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.

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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. 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 Board of Education.

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 Assets**

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

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

#### **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.

#### **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.

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**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>						
Inventory held for resale	\$ -	\$ -	\$ -	\$ -	\$ 24,779	\$ 24,779
Materials and supplies inventory	31,753	-	-	-	4,574	36,327
Prepays	32,604	-	-	-	-	32,604
Total nonspendable	<u>64,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,353</u>	<u>93,710</u>
<u>Restricted for</u>						
Athletics and music	-	-	-	-	92,360	92,360
Auxiliary services	-	-	-	-	32,881	32,881
Classroom facilities maintenance	-	-	-	-	807,680	807,680
Permanent improvements	-	-	1,391,113	4,210,902	808,043	6,410,058
Regular instruction	-	-	-	-	35,672	35,672
Special education	-	-	-	-	162,759	162,759
Scholarships and awards	-	-	-	-	15,842	15,842
Extended learning	-	-	-	-	7,536	7,536
Debt service payments	-	1,662,297	-	-	-	1,662,297
Total restricted	<u>-</u>	<u>1,662,297</u>	<u>1,391,113</u>	<u>4,210,902</u>	<u>1,962,773</u>	<u>9,227,085</u>
<u>Assigned</u>						
Encumbrances	185,950	-	-	-	-	185,950
Next fiscal year budget	542,812	-	-	-	-	542,812
Total assigned	<u>728,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,762</u>
Unassigned (deficit)	<u>1,602,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,339)</u>	<u>1,511,692</u>
Total fund balances	<u>\$ 2,395,150</u>	<u>\$ 1,662,297</u>	<u>\$ 1,391,113</u>	<u>\$ 4,210,902</u>	<u>\$ 1,901,787</u>	<u>\$ 11,561,249</u>

**Geneva Area City School District**  
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**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	\$ 1,106,737
Revenue accruals	174,665
Adjustment to fair market value for investments:	
Prior year amount	1,969
Current year amount	(859)
Expenditure accruals	(299,741)
Budgeted as part of special revenue fund:	
Revenues	(3,453)
Expenditures	3,945
Encumbrances (Budget Basis)	
outstanding at year end	<u>(197,676)</u>
Budget basis	<u>\$ 785,587</u>

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**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 not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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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 un-deposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

***Deposits***

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

As of June 30, the carrying amount of the School District's deposits was \$8,657,474. The School District's bank balance of \$11,787,410 was not exposed to custodial credit risk.

***Investments***

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

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Investment Type	Fair Value	Maturity	Rating <sup>(1)</sup>
Federal Farm Credit Bank	\$ 99,985	3/14/2014	AA+
Federal Home Loan Bank	150,008	2/23/2017	AA+
Federal Home Loan Bank	150,250	3/14/2017	AA+
Federal National Mortgage Assoc	500,460	10/12/2016	AA+
Federal National Mortgage Assoc	400,156	3/28/2017	AA+
Investments reported in classroom facilities fund:			
Federal Farm Credit Bank	250,013	3/13/2017	AA+
Federal National Mortgage Assoc	417,136	8/18/2015	AA+
Federal National Mortgage Assoc	300,117	3/28/2017	AA+
Federal Home Loan Bank	35,294	9/30/2016	AA+
Total Government Sponsored Enterprises	\$ 2,303,419		

(1) Standard and Poor rating

Investment Type	Fair Value	Maturity	
		< 1 year	< 2 years
Investments included within pooled funds:			
Negotiable certificates of deposit	\$ 542,000	97,000	445,000

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), 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.

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 FNMA, FFCB and FHLB an AA+ rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

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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, FFCB and, FNMA and these investments are 81% of the School District's total investments, with negotiable CDs making up the remaining 19% of all investments. Total investments in FHLB is 12%, FFCB is 12% and FNMA is 57% 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 \$23,889; which includes interest of \$14,663 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 in business) located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax was phased out by reducing the assessment rate on the property over several years. The bill provided reimbursements to the School District equivalent to the revenue lost due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. House Bill No. 153 was signed into law on June 30, 2011. This bill dramatically reduced these reimbursements to the School District.

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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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012 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, 2012, taxes available for advance were: general fund, \$2,712,704; and \$602,715 for the bond retirement debt service fund; \$69,346 for the permanent improvement capital projects fund, and \$69,346 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 2012 taxes were collected are:

<u>Property Category</u>	<u>2012 Assessed Value</u>	<u>2011 Assessed Value</u>
<u>Real Property</u>		
Residential, agricultural, commercial and industrial	\$ 331,998,490	\$ 353,485,030
Public utilities	147,030	135,230
<u>Tangible Personal Property</u>		
General	<u>8,496,630</u>	<u>8,247,050</u>
Total	<u>\$ 340,642,150</u>	<u>\$ 361,867,310</u>

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**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 1,618,970	\$ -	\$ (45,120)	\$ 1,573,850
Construction in progress	<u>4,768,145</u>	<u>13,942,488</u>	<u>(553,283)</u>	<u>18,157,350</u>
Total capital assets, not being depreciated	<u>6,387,115</u>	<u>13,942,488</u>	<u>(598,403)</u>	<u>19,731,200</u>
Capital assets, being depreciated:				
Land improvements	1,352,173	492,854	(85,709)	1,759,318
Buildings and improvements	54,528,074	-	(1,819,121)	52,708,953
Furniture, fixtures and equipment	1,656,427	27,810	(248,476)	1,435,761
Vehicles	<u>2,097,279</u>	<u>188,971</u>	<u>(138,707)</u>	<u>2,147,543</u>
Total capital assets, being depreciated	<u>59,633,953</u>	<u>709,635</u>	<u>(2,292,013)</u>	<u>58,051,575</u>
Less: Accumulated depreciation:				
Land improvements	(1,208,250)	(140,105)	82,380	(1,265,975)
Buildings and improvements	(4,812,460)	(1,059,664)	1,618,401	(4,253,723)
Furniture, fixtures and equipment	(553,188)	(101,235)	176,359	(478,064)
Vehicles	<u>(1,127,813)</u>	<u>(181,817)</u>	<u>136,030</u>	<u>(1,173,600)</u>
Total accumulated depreciation	<u>(7,701,711)</u>	<u>(1,482,821)</u>	<u>2,013,170</u>	<u>(7,171,362)</u>
Total capital assets being depreciated, net	<u>51,932,242</u>	<u>(773,186)</u>	<u>(278,843)</u>	<u>50,880,213</u>
Governmental activities capital assets, net	<u>\$ 58,319,357</u>	<u>\$ 13,169,302</u>	<u>\$ (877,246)</u>	<u>\$ 70,611,413</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 837,863
Special	25,017
Vocational	14,292
Support services:	
Pupil	22,439
Instructional staff	28,869
Administration	16,206
Operation and maintenance of plant	232,340
Pupil transportation	168,723
Operation of non-instructional services	40,471
Extracurricular activities	<u>96,601</u>
Total depreciation expense	<u>\$ 1,482,821</u>

**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2012, 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:

Ohio school facilities grant	\$ 44,138
Nonmajor governmental funds:	
Local grant	15,191
Education Jobs grant	142,034
Race to the Top grant	566
IDEA Part B grant	97,692
Title I school improvement	89,897
Food service subsidy reimbursement	3,984
Title II-A	<u>21,336</u>
	<u>\$ 414,838</u>

**NOTE 8 – INTERFUND TRANSACTIONS**

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2011 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 37,352

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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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2011 (Latest information available), 11.81 percent of annual covered salary was the portion used to fund pension and death benefits. The remaining 2.19% 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, 2012, 2011 and 2010 were \$321,485, \$337,970 and \$381,362 respectively; 60.00 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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](http://www.strsoh.org).

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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, 2011 (Latest information available), plan members were required to contribute 10 percent of their annual covered salaries. 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 of 10 percent 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, 2012, 2011, and 2010 were \$1,431,872, \$1,537,231, and \$1,465,880 respectively; 84.06 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$25,599 made by the School District and \$18,285 made by the plan members.

### **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, 2012, four 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.

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**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 which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2011 (Latest information available), 1.43 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 2011 (Latest information available), this amount was \$35,800.

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, 2012, 2011, and 2010 were \$79,094, \$81,517, and \$55,068 respectively; 75.13 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011 (Latest information available), 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, 2012, 2011, and 2010 were \$20,688, \$21,749, and \$22,679 respectively; 60.00 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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](http://www.strsoh.org) or by calling (888) 227-7877.

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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, 2012, 2011 and 2010, 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, 2012, 2011, and 2010 were \$110,144, \$118,249 and \$112,760 respectively; 84.06 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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 2012, the superintendent was granted twenty days of vacation and the treasurer was granted fifteen days of vacation. Administrators may accrue vacation leave up to a maximum of three years prior to using the vacation leave days. Classified employees earn ten to twenty days of vacation per year, depending upon length of service (with a year defined as at least 120 days). Classified employees may accrue vacation up to a maximum of two years prior to using the vacation leave days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. The administrative and classified personnel accumulate vacation based on the following schedule:

<u>Administration</u> <u>Years Service</u>	<u>Classified</u> <u>Years Service</u>	<u>Vacation Days</u>
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. 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. 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.

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**NOTE 12 – RISK MANAGEMENT**

**A. General Risk**

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

General liability insurance is maintained in the amount of \$1,000,000 for single occurrence and \$3,000,000 in the aggregate. 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 \$59,179,667 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 \$18,614, 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.

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Changes in the fund's claims liability during 2011 and 2012 were:

	Year ended 6/30/2012	Year ended 6/30/2011
Unpaid claims, beginning of fiscal year	\$ 27,339	\$ -
Incurred claims (including IBNRs)	239,950	106,046
Claim payments	(248,675)	(78,707)
Unpaid claims, end of fiscal year	\$ 18,614	\$ 27,339

**NOTE 13 – LONG-TERM DEBT**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within one year</u>
<u>General Obligation Bonds</u>					
2012 School Improvement					
Refunding	\$ -	\$ 14,860,000	\$ -	\$ 14,860,000	\$ 10,000
2003 School Improvement					
Serial bonds	17,315,000	-	(15,800,000)	1,515,000	745,000
Capital appreciation	554,990	-	-	554,990	-
Accretion on bonds	863,939	175,159	-	1,039,098	-
Total bonds	18,733,929	15,035,159	(15,800,000)	17,969,088	755,000
<u>Other Long-term obligations</u>					
Compensated absences	1,710,551	173,460	(331,141)	1,552,870	313,223
Total governmental long-term obligations	\$ 20,444,480	\$ 15,208,619	\$ (16,131,141)	\$ 19,521,958	\$ 1,068,223

**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. A portion of these bonds have been refunded and the remaining portion will mature in fiscal year 2017.

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**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, which is reported as a debt service expenditure. 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.

The School District refunded the School Improvement Refunding Bonds to reduce its total debt service payments over the following 19 years by \$3,438,993 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,107,654.

The annual maturities of the School Improvement Bonds as of June 30, 2012, and related interest payments are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2013	\$ 755,000	\$ 437,074	\$ 1,192,074
2014	845,000	431,665	1,276,665
2015	281,899	1,005,039	1,286,938
2016	259,162	1,026,988	1,286,150
2017	238,929	1,046,321	1,285,250
2018-2022	4,600,000	1,845,000	6,445,000
2023-2027	5,190,000	1,182,391	6,372,391
2028-2031	<u>4,760,000</u>	<u>317,784</u>	<u>5,077,784</u>
Total	<u>\$ 16,929,990</u>	<u>\$ 7,292,262</u>	<u>\$ 24,222,252</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 \$353,485. The voted debt limit and margin at June 30, 2012 is \$30,657,794 and \$13,727,804.

**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 \$44,600 to NEOMIN.

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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 2012. 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

#### **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. 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.

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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. Disclosure of this information is required by State statute. 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, 2011	\$ -
Current year set-aside requirement	461,474
Current year offset	(1,124,881)
Qualifying disbursements	<u>(26,934)</u>
Set-aside cash balance as of June 30, 2012	<u>\$ (690,341)</u>
Cash balance carried forward to 2013	<u>\$ -</u>

Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129th General Assembly in Amended Substitute House Bill 30.

**NOTE 17 – FUND DEFICITS**

As of June 30, 2012, one fund had a deficit fund balance. This deficit was 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 fund had a deficit balances:

<u>Fund</u>	<u>Deficit Balance</u>
Nonmajor special revenue fund:	
Lunchroom	\$ (60,986)

**NOTE 18 – CONSTRUCTION COMMITMENTS**

At the close of 2012 the School District had contractual commitments related to the Ohio School Facilities projects. These commitments are due to the construction projects being reported in the classroom facilities fund. The most significant of these commitments are related to the following:

Contractual Commitments	
General trades	\$ 1,946,671