

Geneva Area City School District

Basic Financial Statements
For Fiscal Year Ended: June 30, 2009

Geneva Area City School District
Basic Financial Statements
For the fiscal year ended June 30, 2009

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Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
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Unaudited

As management of the Geneva Area City School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2009. 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 \$23.1 million in revenue or 57.7% of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$16.9 million or 42.3% of total governmental revenues of \$40.0 million.
- The School District had \$29.5 million in expenses related to governmental activities; only \$16.9 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 \$23.1 million were adequate to provide for these programs, resulting in an increase in net assets of \$10,531,010 or 67.8%.
- At the end of the current fiscal year the governmental funds reported a combined ending fund balance of about \$18.9 million, an increase of \$6,873,266 from the prior year.
- During the year the School District purchased 36.55 acres of land and two new school buses.

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 19-20 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 21 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>	
	2009	2008
Assets:		
Current and other assets	\$ 28,079,161	\$ 18,430,627
Capital assets	27,885,635	25,344,708
Total assets	<u>55,964,796</u>	<u>43,775,335</u>
Liabilities:		
Current liabilities	8,372,419	5,676,675
Long-term liabilities	<u>21,529,165</u>	<u>22,566,458</u>
Total liabilities	29,901,584	28,243,133
Net Assets:		
Invested in capital assets, net		
of related debt	8,645,645	5,444,718
Restricted net assets	16,797,125	8,224,392
Unrestricted net assets	620,442	1,863,092
Total net assets	<u>\$ 26,063,212</u>	<u>\$ 15,532,202</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 \$26 million at June 30, 2009.

A portion of the School District's net assets, \$8.6 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 citizens; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the School District's net assets, \$16.8 million or 64.4%, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, \$2.5, or 9.5%, is restricted for debt service payments; \$13.7 million, or 52.5%, is restricted for capital projects; and a small amount, \$.6 million or 2.4%, is restricted for other purposes. The remaining significant balance of government-wide unrestricted net assets of \$.6 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 2009 and 2008.

Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,980,411	\$ 1,755,558
Operating grants and contributions	2,407,557	2,033,552
Capital grants and contributions	12,544,202	3,062,497
General revenues:		
Property taxes	8,607,737	7,941,684
Grants and entitlements	13,999,929	13,814,717
Investment earnings	242,079	396,828
Payments in lieu of taxes	95,772	141,103
Miscellaneous	134,996	186,239
Total revenues	40,012,683	29,332,178
Expenses		
Instruction:		
Regular	\$ 11,515,081	\$ 10,474,475
Special	3,439,538	2,849,245
Vocational	432,614	377,426
Other	1,343,475	1,292,606
Support services:		
Pupils	1,542,479	1,411,770
Instructional staff	626,506	603,291
Board of education	27,425	17,861
Administration	1,940,350	1,723,168
Fiscal	516,942	524,042
Business	35,584	14,549
Operation and maintenance of plant	3,617,392	2,594,201
Pupil transportation	1,356,524	1,583,812
Central	4,033	2,760
Operation of non-instructional services	1,394,716	1,367,917
Extracurricular activities	739,548	646,526
Fiscal and interest charges	949,466	965,437
Total expenses	29,481,673	26,449,086
Increase (decrease) in net assets	\$ 10,531,010	\$ 2,883,092

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Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$8.6 million in 2009. General revenues from grants and entitlements, such as the school foundation program, generated over \$13.9 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 \$16,730,708 or 56.8% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses increased \$1,736,956, or 11.6% 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 \$2,168,985, or 7.4% of the total governmental program expenses. Expenses to provide these programs increased \$153,924 or 7.6%, as compared to fiscal year 2008.

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 \$2,520,301, or 8.6% of governmental program expenses. Costs of these programs increased \$240,681, or 10.6%, as compared to the prior year.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$3,617,392, or 12.3% of the governmental program expenses. These expenses increased \$1,023,191, or 39.4% as compared to fiscal year 2008. Expenses of this program increased as costs associated with building maintenance increased.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was \$1,356,524 or 4.6% of the total governmental program expenditures. Expenses for providing this program decreased \$227,288, or 14.4% as compared to the prior year. The primary cause of this decrease was due to conservative spending and lowered costs associated with the maintenance of buses.

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 2009 and 2008. 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>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2009</u>	Net Cost of Services <u>2008</u>
<u>Program Expenses:</u>				
Instruction:				
Regular	\$ 11,515,081	\$ 10,474,475	\$ 2,819,347	\$ (6,082,539)
Special	3,439,538	2,849,245	(2,591,164)	(2,033,031)
Vocational	432,614	377,426	(432,614)	(377,426)
Other	1,343,475	1,292,606	(1,300,909)	(1,251,160)
Support services:				
Pupils	1,542,479	1,411,770	(1,453,966)	(1,309,440)
Instructional staff	626,506	603,291	(547,354)	(501,446)
Board of education	27,425	17,861	(27,425)	(17,861)
Administration	1,940,350	1,723,168	(1,858,017)	(1,642,018)
Fiscal	516,942	524,042	(516,942)	(524,042)
Business	35,584	14,549	(35,584)	(14,549)
Operation and maintenance of plant	3,617,392	2,594,201	(3,614,963)	(2,591,731)
Pupil transportation	1,356,524	1,583,812	(1,331,182)	(1,571,927)
Central	4,033	2,760	(4,033)	(2,760)
Operation non-instructional services	1,394,716	1,367,917	(130,869)	(220,903)
Extracurricular activities	739,548	646,526	(574,362)	(491,209)
Interest and fiscal charges	949,466	965,437	(949,466)	(965,437)
Total	<u>\$ 29,481,673</u>	<u>\$ 26,449,086</u>	<u>\$ (12,549,503)</u>	<u>\$ (19,597,479)</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 \$40,196,815 and total expenditures and other financing uses were \$33,323,549. The net change in fund balance was significant in the classroom facilities fund with an increase of \$9,020,701. This increase is largely attributed to the Ohio School Facilities construction projects.

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Fund Balances

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
General	\$ 2,200,831	\$ 3,893,395	\$ (1,692,564)	-43.47%
Bond retirement	2,475,520	2,811,744	(336,224)	-11.96%
Permanent improvement	1,505,647	1,972,394	(466,747)	-23.66%
Classroom facilities	11,468,392	2,447,691	9,020,701	368.54%
Other governmental	<u>1,214,883</u>	<u>866,783</u>	<u>348,100</u>	40.16%
Total	<u>\$ 18,865,273</u>	<u>\$ 11,992,007</u>	<u>\$ 6,873,266</u>	

The School District's general fund revenues increased \$600,759 and expenditures increased \$1,991,376 from 2008. The most significant cause to these changes for revenues was an increase of \$305,993 in taxes, \$268,443 in unrestricted grants and a \$230,700 increase in tuition and fees revenue. Total expenditures increased mainly in the area of instruction and related services provided to students.

Change in Financial Activities for the General Fund

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,587,766	\$ 6,281,773	305,993	4.87%
Intergovernmental	13,839,587	13,571,144	268,443	1.98%
Interest	180,426	285,765	(105,339)	-36.86%
Tuition and fees	1,404,866	1,174,166	230,700	19.65%
Gifts and donations	2,000	3,000	(1,000)	-33.33%
Customer sales and service	5,492	5,252	240	4.57%
Rent	325	30	295	983.33%
Payment in lieu of taxes	95,772	141,103	(45,331)	-32.13%
Miscellaneous	<u>17,578</u>	<u>70,820</u>	<u>(53,242)</u>	-75.18%
Total	<u>\$ 22,133,812</u>	<u>\$ 21,533,053</u>	<u>\$ 600,759</u>	
<u>Expenditures:</u>				
Instruction	15,286,839	13,569,635	1,717,204	12.65%
Support services	7,839,745	7,555,530	284,215	3.76%
Non-instructional services	44,402	39,073	5,329	13.64%
Extracurricular activities	476,136	435,531	40,605	9.32%
Capital outlay	<u>42,462</u>	<u>98,439</u>	<u>(55,977)</u>	-56.86%
Total	<u>23,689,584</u>	<u>21,698,208</u>	<u>1,991,376</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 2009, 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 \$21,951,611, representing a slight increase from the original budget estimate of \$21,690,741. Of this \$260,870 difference, tuition and fees and intergovernmental revenues increased from their original estimates. Actual receipts of \$21,938,391 were very close to the final budget basis revenue estimate.

The original expenditure budget of \$23,017,818 was revised during the fiscal year with a final budget amount of \$23,104,391. Actual expenditures plus encumbrances reported significant variances as compared to the original and final expenditure budgets. The School District ended the year at approximately \$.55 million under budget. There were no significant events that caused this difference.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$27,885,635 invested in various capitalized assets, net of depreciation. The table below shows fiscal year 2009 balances compared to fiscal year 2008.

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

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 1,618,970	\$ 1,436,273
Construction in progress	3,450,783	613,125
Land improvements	496,559	493,669
Buildings and improvements	20,900,806	21,360,391
Furniture, fixtures and equipment	479,521	504,378
Vehicles	938,996	936,872
Total capital assets	<u>\$ 27,885,635</u>	<u>\$ 25,344,708</u>

Capital assets increased \$2,540,927 from 2008, due mainly from current year construction additions exceeding depreciation expenses and disposals. See Note 5 to the basic financial statements for detail on the School District's capital assets.

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Debt

At June 30, 2009, the School District had \$19,239,990 in general obligation bonds. Of this total, \$675,000 is due within one year and \$18,564,990 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 \$569,243. The following table summarizes the bonds outstanding.

Outstanding Debt at Fiscal Year End

	<u>Governmental Activities</u>	
	2009	2008
General obligation bonds:		
Library construction	\$ -	\$ 490,000
School improvement	19,239,990	19,899,990
Total outstanding debt	<u>\$ 19,239,990</u>	<u>\$ 20,389,990</u>

The School District retired \$660,000 of general obligation bonds in fiscal year 2009. Additional information on the School District's short-term debt and long-term debt can be found in Note 12 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 has been fortunate in that it has not had to ask its voters for additional operating revenue since 1993. However, financially, the future is not without challenges. Management must diligently plan expenses, staying carefully within the School District's five-year forecast. Even with spending controls in place, the School District realizes that it may need to seek additional operating millage in the near future.

Fluctuating state foundation payments due to increased property valuations provide no significant increase in future revenues. Often declines are due to the increasing valuation charge-offs in determining state foundation payments. The decreases in property tax revenues are almost offset to increases in state foundation payments and state property tax off-sets, such as from homestead and roll back and tax exemptions. With its major sources of revenue not keeping pace with expenditure increases, the School District must seek additional tax revenues to continue current operations. However, the School District cannot look to the State of Ohio for increased revenue.

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, 2009

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 6,623,624
Cash and cash equivalents:	
In segregated accounts	3,934,128
With fiscal agents	15,000
Investments in segregated accounts	8,418,702
Receivables:	
Taxes	8,626,836
Accounts	13,947
Intergovernmental	179,329
Accrued interest	75,165
Prepaid items	55,924
Inventory held for resale	21,613
Materials and supplies inventory	114,893
Capital assets:	
Land	1,618,970
Construction in progress	3,450,783
Depreciable capital assets, net	22,815,882
Total capital assets	<u>27,885,635</u>
Total assets	<u>55,964,796</u>
 <u>Liabilities:</u>	
Accounts payable	26,485
Contracts payable	1,213,426
Accrued wages and benefits	2,248,742
Intergovernmental payable	644,513
Accrued interest payable	66,533
Matured bonds payable	15,000
Deferred revenue	4,157,720
Long-term liabilities:	
Due within one year	1,198,646
Due in more than one year	20,330,519
Total liabilities	<u>29,901,584</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	8,645,645
Restricted for:	
Capital projects	13,682,922
Debt service	2,482,638
Other purposes	631,565
Unrestricted	620,442
Total net assets	<u>\$ 26,063,212</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
Governmental Activities:					
Instruction:					
Regular	\$ 11,515,081	\$ 1,359,468	\$ 456,100	\$ 12,518,860	\$ 2,819,347
Special	3,439,538	59,797	788,577	-	(2,591,164)
Vocational	432,614	-	-	-	(432,614)
Other	1,343,475	-	42,566	-	(1,300,909)
Support services:					
Pupils	1,542,479	-	88,513	-	(1,453,966)
Instructional staff	626,506	-	79,152	-	(547,354)
Board of education	27,425	-	-	-	(27,425)
Administration	1,940,350	-	82,333	-	(1,858,017)
Fiscal	516,942	-	-	-	(516,942)
Business	35,584	-	-	-	(35,584)
Operation and maintenance of plant	3,617,392	325	2,104	-	(3,614,963)
Pupil transportation	1,356,524	-	-	25,342	(1,331,182)
Central	4,033	-	-	-	(4,033)
Operation of non-instructional services	1,394,716	411,216	852,631	-	(130,869)
Extracurricular activities	739,548	149,605	15,581	-	(574,362)
Interest and fiscal charges	949,466	-	-	-	(949,466)
Total governmental activities	\$ 29,481,673	\$ 1,980,411	\$ 2,407,557	\$ 12,544,202	(12,549,503)

General Revenues:

Property taxes levied for:

General purposes	6,727,458
Debt service	1,492,586
Capital outlay	387,693
Grants and entitlements not restricted to specific programs	13,999,929
Investment earnings	242,079
Payment in lieu of taxes	95,772
Miscellaneous	134,996
Total general revenues	23,080,513
Change in net assets	10,531,010
Net assets beginning of year	15,532,202
Net assets end of year	\$ 26,063,212

See accompanying notes to the basic financial statements.

Geneva Area City School District

Balance Sheet

Governmental Funds

June 30, 2009

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Classroom Facilities Fund	Other Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 1,451,797	\$ 1,807,530	\$ 1,441,578	\$ 373,048	\$ 1,191,594
Cash and cash equivalents:					
With fiscal agent	-	15,000	-	-	-
In segregated accounts	-	-	-	3,856,805	77,323
Investments in segregated accounts	-	-	-	8,418,702	-
Receivables:					
Taxes	6,712,285	1,584,531	183,212	-	146,808
Accounts	13,201	-	-	-	746
Intergovernmental	-	-	-	-	179,329
Accrued interest	31,609	-	-	43,556	-
Inventory held for resale	-	-	-	-	21,613
Materials and supplies inventory	112,153	-	-	-	2,740
Prepaid items	49,979	-	-	-	5,945
Equity in pooled cash and cash equivalents (restricted)	358,077	-	-	-	-
Total assets	8,729,101	3,407,061	1,624,790	12,692,111	1,626,098
<u>Liabilities:</u>					
Accounts payable	4,756	-	7,750	10,293	3,686
Contracts payable	-	-	-	1,213,426	-
Accrued wages and benefits	2,074,437	-	-	-	174,305
Intergovernmental payable	568,990	-	-	-	75,523
Matured bonds payable	-	15,000	-	-	-
Deferred revenue	3,880,087	916,541	111,393	-	157,701
Total liabilities	6,528,270	931,541	119,143	1,223,719	411,215
<u>Fund balances:</u>					
Reserved for:					
Encumbrances	73,067	-	-	24,856,129	17,565
Property taxes	2,832,198	667,990	71,819	-	61,963
Budget stabilization	358,077	-	-	-	-
Unreserved, undesignated, reported in:					
General fund	(1,062,511)	-	-	-	-
Special revenue funds	-	-	-	-	442,846
Debt service fund	-	1,807,530	-	-	-
Capital projects funds	-	-	1,433,828	(13,387,737)	692,509
Total fund balances	2,200,831	2,475,520	1,505,647	11,468,392	1,214,883
Total liabilities and fund balances	\$ 8,729,101	\$ 3,407,061	\$ 1,624,790	\$ 12,692,111	\$ 1,626,098

See accompanying notes to the basic financial statements.

Total
Governmental
Funds

\$ 6,265,547

15,000

3,934,128

8,418,702

8,626,836

13,947

179,329

75,165

21,613

114,893

55,924

358,077

28,079,161

26,485

1,213,426

2,248,742

644,513

15,000

5,065,722

9,213,888

24,946,761

3,633,970

358,077

(1,062,511)

442,846

1,807,530

(11,261,400)

18,865,273

\$ 28,079,161

Geneva Area City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2009

Total governmental fund balances		\$ 18,865,273
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.		27,885,635
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes receivable	\$ 835,146	
Intergovernmental receivables	<u>72,856</u>	
		908,002
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(66,533)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (19,239,990)	
Accretion of capital appreciation bonds	(569,243)	
Compensated absences	<u>(1,719,932)</u>	
Total		<u>(21,529,165)</u>
Net assets of governmental activities		<u>\$ 26,063,212</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, 2009

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes	\$ 6,587,766	\$ 1,475,335	\$ 166,087	\$ -	\$ 205,035	\$ 8,434,223
Intergovernmental	13,839,587	201,293	31,908	12,518,860	2,274,852	28,866,500
Interest	180,426	-	55,585	158,696	7,539	402,246
Tuition and fees	1,404,866	-	-	-	8,907	1,413,773
Extracurricular activities	-	-	-	-	149,606	149,606
Gifts and donations	2,000	-	-	-	21,081	23,081
Customer sales and service	5,492	-	-	-	411,215	416,707
Rent	325	-	-	-	-	325
Payment in lieu of taxes	95,772	-	-	-	-	95,772
Miscellaneous	17,578	-	-	1,825	115,418	134,821
Total revenues	<u>22,133,812</u>	<u>1,676,628</u>	<u>253,580</u>	<u>12,679,381</u>	<u>3,193,653</u>	<u>39,937,054</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	11,010,308	-	-	-	213,491	11,223,799
Special	2,559,594	-	-	-	847,881	3,407,475
Vocational	424,687	-	-	-	-	424,687
Other	1,292,250	-	-	-	54,893	1,347,143
Support services:						
Pupils	1,426,747	-	-	-	100,055	1,526,802
Instructional staff	524,160	-	-	-	84,552	608,712
Board of education	27,425	-	-	-	-	27,425
Administration	1,807,616	-	-	-	91,033	1,898,649
Fiscal	475,560	33,022	3,684	-	3,102	515,368
Business	35,584	-	-	-	-	35,584
Operation and maintenance of plant	2,335,351	-	59,949	821,022	145,316	3,361,638
Pupil transportation	1,203,269	-	-	-	-	1,203,269
Central	4,033	-	-	-	-	4,033
Operation of non-instructional services	44,402	-	-	-	1,374,892	1,419,294
Extracurricular activities	476,136	-	-	-	183,599	659,735
Capital outlay	42,462	-	533,725	2,837,658	6,500	3,420,345
Debt service:						
Principal retirement	-	1,150,000	-	-	-	1,150,000
Interest and fiscal charges	-	829,830	-	-	-	829,830
Total expenditures	<u>23,689,584</u>	<u>2,012,852</u>	<u>597,358</u>	<u>3,658,680</u>	<u>3,105,314</u>	<u>33,063,788</u>
Excess of revenues over (under) expenditures	<u>(1,555,772)</u>	<u>(336,224)</u>	<u>(343,778)</u>	<u>9,020,701</u>	<u>88,339</u>	<u>6,873,266</u>
<u>Other financing sources (uses):</u>						
Transfers in	-	-	-	-	259,761	259,761
Transfers out	(136,792)	-	(122,969)	-	-	(259,761)
Total other financing sources (uses)	<u>(136,792)</u>	<u>-</u>	<u>(122,969)</u>	<u>-</u>	<u>259,761</u>	<u>-</u>
Net change in fund balances	(1,692,564)	(336,224)	(466,747)	9,020,701	348,100	6,873,266
Fund balances beginning of year	<u>3,893,395</u>	<u>2,811,744</u>	<u>1,972,394</u>	<u>2,447,691</u>	<u>866,783</u>	<u>11,992,007</u>
Fund balances end of year	<u>\$ 2,200,831</u>	<u>\$ 2,475,520</u>	<u>\$ 1,505,647</u>	<u>\$ 11,468,392</u>	<u>\$ 1,214,883</u>	<u>\$ 18,865,273</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, 2009

Net change in fund balances - total governmental funds	\$	6,873,266
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	\$	3,420,345
Depreciation expense		<u>(857,826)</u>
Excess of capital asset additions over depreciation expense		2,562,519
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.		
		(21,592)
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	\$	173,512
Intergovernmental		<u>(97,883)</u>
Net change in deferred revenues during the year		75,629
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,150,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences	\$	10,824
Decrease in accrued interest		<u>3,895</u>
Total additional expenses		14,719
The accretion of capital appreciation bond is reflected as an expense in the statement of activities.		
		<u>(123,531)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>10,531,010</u>

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 6,368,226	\$ 6,342,275	\$ 6,342,275	\$ -
Intergovernmental	13,661,400	13,846,456	13,846,456	-
Interest	300,000	200,000	186,786	(13,214)
Tuition and fees	1,210,287	1,404,866	1,404,866	-
Gifts and donations	2,000	2,000	2,000	-
Customer sales and service	5,425	5,439	5,433	(6)
Rent	215	325	325	-
Payment in lieu of taxes	141,103	141,103	141,103	-
Miscellaneous	2,085	9,147	9,147	-
Total revenues	<u>21,690,741</u>	<u>21,951,611</u>	<u>21,938,391</u>	<u>(13,220)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,377,840	10,239,105	10,180,035	59,070
Special	2,252,889	2,448,367	2,436,540	11,827
Vocational	419,008	402,912	390,577	12,335
Other	1,311,935	1,322,540	1,291,453	31,087
Support services:				
Pupils	1,336,623	1,417,882	1,349,847	68,035
Instructional staff	501,174	513,174	502,389	10,785
Board of education	27,881	31,654	27,425	4,229
Administration	1,800,179	1,800,179	1,715,592	84,587
Fiscal	496,082	525,354	486,979	38,375
Business	14,600	37,232	35,584	1,648
Operation and maintenance of plant	2,341,824	2,477,940	2,330,895	147,045
Pupil transportation	1,560,760	1,323,887	1,262,977	60,910
Central	4,670	7,098	5,138	1,960
Operation of non-instructional services	38,944	42,723	42,724	(1)
Extracurricular activities	472,592	467,925	454,635	13,290
Capital outlay	60,817	46,419	43,357	3,062
Total expenditures	<u>23,017,818</u>	<u>23,104,391</u>	<u>22,556,147</u>	<u>548,244</u>
Excess of revenues over (under) expenditures	<u>(1,327,077)</u>	<u>(1,152,780)</u>	<u>(617,756)</u>	<u>535,024</u>
<u>Other financing sources (uses):</u>				
Proceeds from the sale of capital assets	1,572	2,072	2,072	-
Refund of prior year expenditures	67,000	30,215	30,215	-
Advances in	-	-	-	-
Advances out	-	-	-	-
Transfers out	(210,000)	(137,080)	(136,792)	288
Total other financing sources (uses)	<u>(141,428)</u>	<u>(104,793)</u>	<u>(104,505)</u>	<u>288</u>
Net change in fund balance	(1,468,505)	(1,257,573)	(722,261)	535,312
Fund balance at beginning of year	2,299,294	2,299,294	2,299,294	-
Prior year encumbrances appropriated	151,974	151,974	151,974	-
Fund balance at end of year	<u>\$ 982,763</u>	<u>\$ 1,193,695</u>	<u>\$ 1,729,007</u>	<u>\$ 535,312</u>

See accompanying notes to the basic financial statements.

Geneva Area City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trusts	
	Scholarship	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 45,245	\$ 7,543
Cash and cash equivalents in segregated accounts	-	71,463
Receivable:		
Accrued interest	-	245
Total assets	<u>45,245</u>	<u>\$ 79,251</u>
 <u>Liabilities:</u>		
Undistributed monies	\$ -	\$ 7,542
Due to students	-	71,709
Total liabilities	<u>-</u>	<u>\$ 79,251</u>
 <u>Net assets:</u>		
Held in trust for scholarships	<u>45,245</u>	
Total net assets	<u>\$ 45,245</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, 2009

	Private Purpose Trust
	<u>Scholarship</u>
<u>Additions:</u>	
Interest	\$ 1,412
<u>Deductions:</u>	
Scholarship awards	<u>1,356</u>
Change in net assets	56
Net assets beginning of year	<u>45,189</u>
Net assets end of year	<u>\$ 45,245</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, 2009

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, 2009, was 2,649. The School District employed 184 certified employees and 110 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, 2009

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

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

The School District may act as the Library's agent on debt issues required pursuant to Chapter 3375.431 of the ORC. The School District issued \$990,000 of general obligation bonds in May, 1997. The debt was issued for the purpose of the construction of a new library, as approved by the electorate in May 1995. Although the debt is issued on behalf of the Library, the bonds constitute indebtedness of the School District and are considered in determining the School District's debt limitations. Property tax revenues collected to retire the debt are paid directly to the School District, and the School District pays the interest and retires the debt. These bonds were repaid in full during this fiscal year.

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

The School District is associated with organizations which are defined as jointly governed organizations. These organizations are the Northeast Ohio Management Information Network, the Ashtabula County Schools Council of Governments, and the Ashtabula County Joint Vocational School District, which are presented in Note 13 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

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

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.

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, 2009

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

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

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

E. Budget and Budgetary Accounting

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

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

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

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

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

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

F. Cash and Investments

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

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

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish amounts required to be set aside for budget stabilization. A fund balance reserve has also been established. For 2009, the School District was not required to set aside a portion of their cash balance in the general fund for the purchase of textbooks and instructional materials; and for capital maintenance but an amount from a prior year remains restricted and reserved for budget stabilization.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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, 2009, 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, 2009. 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, 2009 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.

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

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

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

L. Interfund Balances

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

M. Interfund Activity

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

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

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

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

O. Accrued Liabilities and Long-Term Obligations

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

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

P. Fund Balance Reserves

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

Q. Net Assets

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

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

Geneva Area City School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

R. Estimates

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Changes in Fund Balance	
GAAP basis	\$ (1,692,564)
Net adjustment for revenue accruals	(163,134)
Net adjustment for expenditure accruals	1,210,308
Adjustment for encumbrances	<u>(76,871)</u>
 Budget basis	 <u>\$ (722,261)</u>

Geneva Area City School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 3 – 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).

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Notes to the Basic Financial Statements
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8. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value.
9. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed 25% of the interim monies available for investment at any one time.

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

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 \$11,503,208 which includes \$3,850,000 of nonnegotiable certificates of deposit reported on the balance sheet as investments. The School District's bank balance of \$12,739,001 was covered by FDIC in the amount of \$2,116,850 and the remaining balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and in the District's name	\$ 10,622,151
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Geneva Area City School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Investments

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

Investment Type	Fair		Rating ⁽¹⁾
	Value	Maturity	
Federal Home Loan Bank	\$ 407,252	2/19/2013	AAA
Federal Home Loan Mortgage Corp	407,708	4/1/2013	AAA
Federal Home Loan Bank	298,968	2/13/2014	AAA
Federal Home Loan Mortgage Corp	300,540	2/26/2014	AAA
Federal National Mortgage Assoc	299,907	3/18/2014	AAA
Federal National Mortgage Assoc	487,345	4/14/2014	AAA
Investment reported in classroom facilities fund:			
Federal National Mortgage Assoc	201,000	1/28/2011	AAA
Federal Home Loan Bank	500,155	4/13/2011	AAA
Federal National Mortgage Assoc	200,688	7/28/2011	AAA
Federal Home Loan Bank	300,282	8/4/2011	AAA
Federal Home Loan Mortgage Corp	200,256	1/27/2012	AAA
Federal Home Loan Mortgage Corp	300,150	1/30/2012	AAA
Federal Home Loan Mortgage Corp	502,015	4/2/2012	AAA
Federal Home Loan Mortgage Corp	300,648	2/12/2014	AAA
Federal Home Loan Mortgage Corp	300,540	2/26/2014	AAA
Federal National Mortgage Assoc	295,968	2/26/2014	AAA
Total Government Sponsored Enterprises	<u>\$ 5,303,422</u>		

(1) Standard and Poor

Investment Type	Fair Value	Maturity				
		< 1 year	< 2 years	< 3 years	< 4 years	< 5 years
Investments included within pooled funds:						
Negotiable certificates of deposit	\$ 839,000	198,000	249,000	98,000	97,000	197,000
Investment reported in classroom facilities fund:						
Negotiable certificates of deposit	<u>1,467,000</u>	<u>773,000</u>	<u>595,000</u>	<u>99,000</u>	<u>-</u>	<u>-</u>
Total negotiable certificates of deposit	<u>\$ 2,306,000</u>	<u>971,000</u>	<u>844,000</u>	<u>197,000</u>	<u>97,000</u>	<u>197,000</u>

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

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Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in the Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) are held by the counterparty's trust department or agent and not in the School District's name. All of the School District's negotiable certificates of deposit are registered securities and covered in full by FDIC insurance. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in FHLB, FNMA and FHLMC and these investments are 70% of the School District's total investments, with negotiable CDs making up the remaining 30% of all investments. Total investments in FHLB is 20%; FHLMC is 30%; and FNMA is 20% 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 \$180,426; which includes interest of \$113,928 assigned from other School District funds.

NOTE 4 – PROPERTY TAX

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

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

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2009 tangible personal property taxes are levied after April 1, 2008 on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are twenty-five percent of true value. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2009 is 0%. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment due April 30, with the remainder payable by September 28.

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

The Ashtabula County Treasurer collects property taxes on behalf of the School District and the Ashtabula County Auditor remits the collected taxes to the School District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the School District prior to June 30, are reflected as a reservation of fund balance. The School District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year. At June 30, 2009, taxes available for advance were: general fund, \$2,832,198; and \$667,990 for the bond retirement debt service fund; \$71,819 for the permanent improvement capital projects fund, and \$61,963 for the classroom facilities maintenance special revenue fund.

The full tax rate at the fiscal year ended June 30, 2009, for operations was \$45.39 (\$20.02 approximate effective rate) per \$1,000 of assessed valuation. Additionally, the full tax rates for permanent improvements, debt retirement and classroom facilities were \$.85 (\$.52 effective rate), \$4.90 and \$.50 per \$1,000 of assessed valuation, respectively. The assessed values of real and tangible personal property on which the fiscal year 2009 taxes were collected were as follows:

<u>Property Category</u>	<u>2009 Assessed Value</u>	<u>2008 Assessed Value</u>
<u>Real Property</u>		
Residential and agricultural	\$ 279,904,780	\$ 254,645,030
Commercial and industrial	64,207,060	54,098,010
Public utilities	115,210	117,520
<u>Tangible Personal Property</u>		
General	5,037,700	8,967,860
Public utilities	7,891,460	7,370,780
Total	<u>\$ 357,156,210</u>	<u>\$ 325,199,200</u>

Geneva Area City School District
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Notes to the Basic Financial Statements
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 1,436,273	\$ 182,697	\$ -	\$ 1,618,970
Construction in progress	<u>613,125</u>	<u>2,837,658</u>	<u>-</u>	<u>3,450,783</u>
Total capital assets, not being depreciated	<u>2,049,398</u>	<u>3,020,355</u>	<u>-</u>	<u>5,069,753</u>
Capital assets, being depreciated:				
Land improvements	1,242,800	190,328	-	1,433,128
Buildings and improvements	26,886,914	-	(896,674)	25,990,240
Furniture, fixtures and equipment	1,385,359	40,962	(247,847)	1,178,474
Vehicles	<u>1,950,901</u>	<u>168,700</u>	<u>(64,330)</u>	<u>2,055,271</u>
Total capital assets, being depreciated	<u>31,465,974</u>	<u>399,990</u>	<u>(1,208,851)</u>	<u>30,657,113</u>
Less: Accumulated depreciation:				
Land improvements	(749,131)	(187,438)	-	(936,569)
Buildings and improvements	(5,526,523)	(455,770)	892,859	(5,089,434)
Furniture, fixtures and equipment	(880,981)	(48,042)	230,070	(698,953)
Vehicles	(1,014,029)	(166,576)	64,330	(1,116,275)
Total accumulated depreciation	<u>(8,170,664)</u>	<u>(857,826)</u>	<u>1,187,259</u>	<u>(7,841,231)</u>
Total capital assets being depreciated, net	23,295,310	(457,836)	(21,592)	22,815,882
Governmental activities capital assets, net	<u>\$ 25,344,708</u>	<u>\$ 2,562,519</u>	<u>\$ (21,592)</u>	<u>\$ 27,885,635</u>

Geneva Area City School District
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Notes to the Basic Financial Statements
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 296,275
Special	18,088
Vocational	9,250
Support services:	
Pupil	14,544
Instructional staff	18,993
Administration	10,407
Operation and maintenance of plant	247,365
Pupil transportation	156,535
Operation of non-instructional services	20,901
Extracurricular activities	<u>65,468</u>
Total depreciation expense	<u>\$ 857,826</u>

NOTE 6 – RECEIVABLES

Receivables at June 30, 2009, consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Nonmajor governmental funds:	
IDEA Part B grant	81,099
Title I grant	64,780
Improving teacher quality	33,450
	<u>\$ 179,329</u>

NOTE 7 – INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers for the year ended June 30, 2009 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 136,792
Transfers from permanent improvement fund to:	
Nonmajor governmental funds	122,969
	<u>\$ 259,761</u>

Geneva Area City School District
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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 8 – 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension and death benefits. 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, 2009, 2008 and 2007 were \$241,971, \$256,946 and \$306,980 respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

Geneva Area City School District
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Notes to the Basic Financial Statements
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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, 2009, 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. 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, 2009, 2008, and 2007 were \$1,402,797, \$1,394,113, and \$1,378,082 respectively; 83.33 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$19,068 made by the School District and \$26,596 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, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 % of wages paid. The remaining Board members contribute to SERS.

Geneva Area City School District
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Notes to the Basic Financial Statements
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Note 9 – 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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, 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, 2009, 2008, and 2007 were \$152,086, \$158,839, and \$118,828 respectively; 55.5 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$19,965, \$18,514, and \$18,971 respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

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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 2009, 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, 2009, 2008, and 2007 were \$107,907, \$107,239, and \$106,006 respectively; 83.3 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 10 – 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 2009, the superintendent was granted twenty days of vacation and the treasurer was granted fifteen days of vacation. Administrators may accrue vacation leave up to a maximum of three years prior to using the vacation leave days. Classified employees earn ten to twenty days of vacation per year, depending upon length of service (with a year defined as at least 120 days). Classified employees may accrue vacation up to a maximum of two years prior to using the vacation leave days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. The administrative and classified personnel accumulate vacation based on the following schedule:

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

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

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NOTE 11 – RISK MANAGEMENT

A. General Risk

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

General liability insurance is maintained in the amount of \$1,000,000 for single occurrence and \$3,000,000 in the aggregate and excess liability in the amounts of \$2,000,000 each single occurrence and \$2,000,000 in the aggregate. The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of \$55,363,342.

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

B. Workers' Compensation

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

C. Health Insurance

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

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NOTE 12 – LONG-TERM DEBT

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

	Beginning			Ending	Due within
Governmental Activities	Balance	Increases	Decreases	Balance	one year
General Obligation Bonds					
1997 Library Construction	\$ 490,000	\$ -	\$ (490,000)	\$ -	\$ -
2003 School Improvement					
Serial bonds	19,345,000	-	(660,000)	18,685,000	675,000
Capital appreciation bonds	554,990	-	-	554,990	-
Accretion on bonds	445,712	123,531	-	569,243	-
Total bonds	<u>20,835,702</u>	<u>123,531</u>	<u>(1,150,000)</u>	<u>19,809,233</u>	<u>675,000</u>
<u>Other Long-term obligations</u>					
Compensated absences	1,730,756	185,507	(196,331)	1,719,932	523,646
Total governmental					
long-term obligations	<u>\$ 22,566,458</u>	<u>\$ 309,038</u>	<u>\$(1,346,331)</u>	<u>\$ 21,529,165</u>	<u>\$ 1,198,646</u>

Library Construction Bonds: As discussed in Note 1, the School District issued general obligation bonds, on behalf of the Library, in the amount of \$990,000 on May 1, 1997. The 1997 bonds mature in December 2016 and have an average interest rate of 5.8%. During the fiscal year, the School District retired all of the Library general obligation bonds.

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

The annual maturities of the School Improvement Bonds as of June 30, 2009, and related interest payments are as follows:

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Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2010	\$ 675,000	\$ 788,950	\$ 1,463,950
2011	695,000	768,380	1,463,380
2012	720,000	745,020	1,465,020
2013	745,000	719,742	1,464,742
2014	770,000	692,652	1,462,652
2015-2019	2,179,990	5,150,673	7,330,663
2020-2024	4,760,000	2,510,550	7,270,550
2025-2029	5,935,000	1,312,087	7,247,087
2030-2031	<u>2,760,000</u>	<u>125,550</u>	<u>2,885,550</u>
Total	<u>\$ 19,239,990</u>	<u>\$ 12,813,604</u>	<u>\$ 32,053,594</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 \$353,226. The voted debt limit and margin at June 30, 2009 is \$31,790,311 and \$12,550,321.

NOTE 13 – 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 \$45,300 to NEOMIN.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The School District was represented on the Governing Board during fiscal year 2009. 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.

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

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

NOTE 14 – CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

NOTE 15 – STATUTORY RESERVES

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

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

	Textbook Reserve	Capital Maintenance Reserve	Budgetary Reserve	Total
Set-aside cash balance as of June 30, 2008	\$ -	\$ -	\$ 358,077	\$ 358,077
Current year set-aside requirement	371,916	371,916	-	743,832
Current year offset	-	(363,344)	-	(363,344)
Qualifying disbursements	<u>(371,916)</u>	<u>(75,196)</u>	<u>-</u>	<u>(447,112)</u>
Total	<u>-</u>	<u>(66,624)</u>	<u>358,077</u>	<u>291,453</u>
 Cash balance carried forward to 2010	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 358,077</u>	 <u>\$ 358,077</u>

NOTE 16 – OHIO SCHOOLS COUNCIL

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

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

NOTE 17 – FUND DEFICITS

As of June 30, 2009, three funds had deficit fund balances. These deficits were caused by the application of GAAP. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had deficit balances:

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<u>Fund</u>	<u>Deficit</u> <u>Balance</u>
Nonmajor special revenue funds:	
Lunchroom	\$ 37,664
Management information system	431
Poverty aid	1,780
IDEA Part B	19,171
Title I	16,725
Improving teacher quality	9,327

NOTE 18 – CONSTRUCTION COMMITMENTS

At the close of 2009 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:

General trades	\$ 15,540,600
HVAC, plumbing and electrical work	<u>8,163,680</u>
	<u>\$ 23,704,280</u>