



**Auditor of State
Betty Montgomery**

Geneva Area City School District
Ashtabula County
Basic Financial Report
For the Year Ended June 30, 2003

Table of Contents

Report of Independent Accountants.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	22
Statement of Fiduciary Net Assets – Fiduciary Funds.....	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	24
Notes to the Basic Financial Statements.....	25
Schedule of Federal Expenditures	55
Notes to the Schedule of Federal Awards Expenditures.....	56
Independent Accountant’s Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	57
Independent Accountant’s Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	59
Schedule of Findings.....	61
Schedule of Prior Audit Findings.....	62

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

Geneva Area City School District
Ashtabula County
135 South Eagle Street
Geneva, Ohio 44041

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Geneva Area City School District, Ashtabula County, (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Geneva Area City School District, Ashtabula County, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 20, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the Districts basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 22, 2004

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of Geneva Area City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

Overall:

- For governmental activities, net assets increased nearly \$2 million, which represents a 28 percent increase from 2002.
- General revenues accounted for \$20.9 million in revenue or 84.5 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.8 million or 15.5 percent of total governmental revenues of \$24.7 million.
- The District had \$22.7 million in expenses related to governmental activities; only \$3.8 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements not restricted to specific programs) of \$20.9 million were adequate to provide for these programs.
- Among major funds, the general fund had \$19.5 million in revenues and \$19.8 million in expenditures. The general fund's fund balance decreased to \$4.6 million from \$4.9 million.
- The construction project fund had \$24.7 million in revenue, of which \$23.1 million was proceeds from sale of bonds. \$0.5 million was spent so far for the construction of the new high school facility.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Geneva Area City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The *Statement of Net Assets* and *Statement of Activities* provides information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Geneva Area City School District, the general and construction projects fund by far are the most significant funds.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District has only one kind of activity:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies going to the lunchroom fund from general fund, the lunchroom operation is also being considered as governmental activities.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the District's most significant funds. The District's major governmental fund are the general and construction project funds.

Governmental Funds Most of the 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 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 District as a Whole

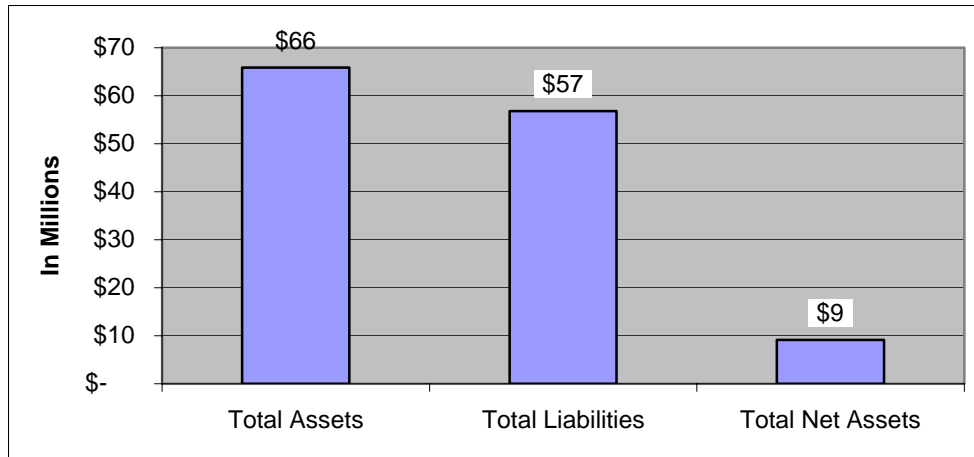
Table 1 shows net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, net asset comparisons to prior fiscal years are not available.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 1

	Governmental Activities
Assets:	
Current and Other Assets	\$ 61,631,050
Capital Asset, Net of Accumulated Depreciation	4,264,803
<i>Total Assets</i>	65,895,853
Liabilities:	
Current Liabilities	30,933,830
Long-term Liabilities	25,832,995
<i>Total Liabilities</i>	56,766,825
Net Assets:	
Invested in Capital Assets, Net of Debt	3,628,492
Restricted	25,750,340
Unrestricted	(20,249,804)
<i>Total Net Assets</i>	\$ 9,129,028

Governmental Activities
Graph 1



The table below shows the net changes in net assets for fiscal year 2003. Since this is the first year the District has prepared the financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2

	Governmental Activities
Revenue:	
Program Revenues:	
Charges for Services and Sales	\$ 1,463,464
Operating Grants and Contributions	1,676,329
Capital Grants and Contributions	685,667
General Revenues:	
Property Taxes	7,959,877
Grants and Entitlements	12,355,207
Investment Earnings	497,362
Miscellaneous	49,040
Total Revenues	24,686,946
Expenses:	
Instructions:	
Regular	9,825,856
Special	2,384,325
Vocational	349,609
Other	828,570
Support Services:	
Pupils	1,465,873
Instructional Staff	589,801
Board of Education	11,779
Administration	1,440,026
Fiscal	400,944
Business	43,273
Operation and Maintenance of Plant	1,642,183
Pupil Transportation	1,282,998
Central	20,327
Operation of Non-instructional Services	1,257,846
Extracurricular Activities	540,934
Fiscal and Interest Charges	404,365
Loss on Sale of Capital Assets	223,263
Total Expenses	22,711,972
Changes in Net Assets	\$ 1,974,974

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

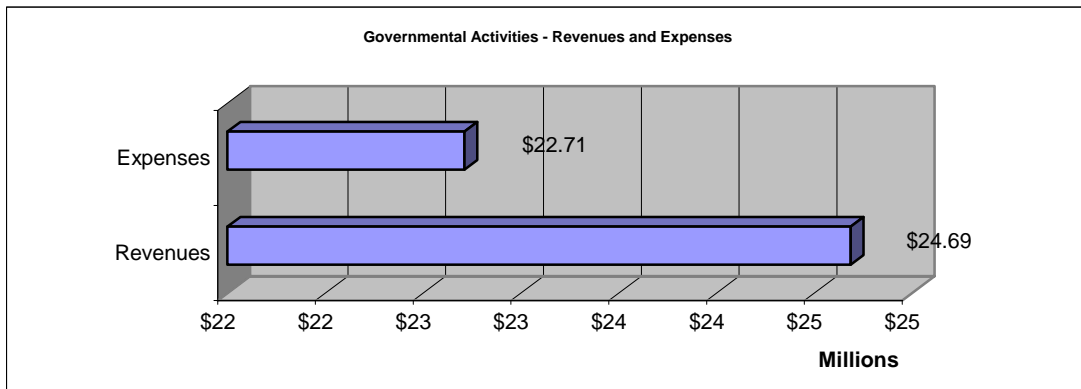
Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 32.2 percent of revenue for governmental activities for Geneva Area City School District in fiscal year 2003. In 2002, voters approved a \$23.11 million bond issue for the new high school facilities, which was estimated to average 5.95 mills over the repayment period of the bond issue. This bond issue will lead the way to approximately \$48 million of State aid coming to the District through the Ohio School Facilities Commission to completely rebuild the District's school buildings.

Governmental Activities

Net assets of the District's governmental activities increased by \$2 million. The governmental expenses of \$22.7 million were primarily offset by program revenues of \$3.8 million and general revenues of \$20.9 million. Program revenues supported 16.8% of the total governmental activities.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 82.3% of total governmental revenue.

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2003.



Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 3

Total and Cost of Program Services
Governmental Activities

	Total Cost of Service	Net Cost of Service
Instruction	\$ 13,388,360	\$ 10,935,337
Support Service:		
Pupils and Instructional Staff	2,055,674	1,976,434
Board of Education, Administration, Fiscal and Business	1,896,022	1,837,726
Operation and Maintenance of Plant	1,642,183	1,612,651
Pupil Transportation	1,282,998	1,230,777
Central	20,327	20,327
Operation of Non-instructional Services	1,257,846	213,360
Extracurricular Activities	540,934	432,272
Interest and Fiscal Charges	404,365	404,365
Loss on Sale of Capital Assets	223,263	223,263
Total Expenses	\$ 22,711,972	\$ 18,886,512

The dependence upon general tax revenues for governmental activities is apparent. Over 72.8 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue and prior year cash balance support helps cover all expenses as shown in the above table. Primary support for Geneva Area City School District students comes from grants and entitlements not restricted to specific programs, basically the State's Foundation Program. The community, as a whole, also provides a great deal of support.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The District's Funds

Information about the District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$47.2 million and expenditures of \$23.5 million. The net change in fund balance for the year was most significant in the construction project fund, where the construction project fund's fund balance increased by \$24.2 million for fiscal year 2003, which was the result of the proceeds received from the sale of bonds.

General Fund Budgeting Highlights

The 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 the course of fiscal year 2003, the District amended its General Fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$19.2 million, over the original budget estimate of \$18.4 million. Intergovernmental revenues make up the \$0.8 million difference. This revenue line item, which consists primarily of State Foundation Program aid, fluctuates year to year and even month to month, so it is budgeted on a conservative basis to avoid revenue overestimations.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$20.2 million, nearly \$1 million exceeding the revenues.

Capital Assets

At the end of fiscal year 2003, the District had \$4.3 million (net) invested in land, construction in progress, buildings, equipment and vehicles in governmental activities.

Table 4 shows fiscal 2003 gross capital asset balances for governmental type activities compared to the prior fiscal year.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 4

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities	
	2003	2002
Land	\$ 1,316,273	\$ 187,040
Construction in Progress	287,452	13,250
Buildings and Improvements	531,097	572,576
Other Improvements	276,131	22,170
Furniture/Equipment/Fixtures	1,073,736	1,269,019
Vehicles	780,114	888,570
Total Capital Assets, Net	\$ 4,264,803	\$ 2,952,625

The increase in capital assets is due to recognized \$1,953,796 of acquisition of capital assets for 2003, offset by \$397,285 of depreciation expenses. These acquisitions were distributed among land, buildings, improvements, furniture, equipment, vehicles and construction in progress. The District also retired \$515,100 of capital assets, which resulted in a \$223,263 loss on sale of capital assets. The District continued its ongoing commitment to maintaining and improving its capital assets.

In fiscal year 2003, the school issued \$23,109,990 of bonds for the construction of the new high school facility. The new high school will be completed in December 2005, and will provide the District with a state-of-the-art facility including larger classrooms, media center, auditorium, two gymnasiums, and ample parking.

Additional information of capital assets could be found at Note 5 of the basic financial statements.

Debt

Currently, the District has \$965,000 of Library Construction Bonds, and \$23,109,990 of School Improvement Bonds as of June 30, 2003. The Library Construction Bonds mature in 2016, and School Improvement Bonds mature in 2031.

In addition, the District also has \$23,110,000 of notes debt at the end of the year. The notes will be paid off in fiscal year 2004.

Additional information of debt could be found at Note 12 and 13 of the basic financial statements.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Set-Aside Requirements

For fiscal year 1999, a change in Ohio law required school districts to set aside two percent of certain revenues for capital improvements and an additional two-percent for textbooks; this amount was increased to three percent beginning in fiscal year 2000. For fiscal year 2003, this amounted to \$411,151 for each set aside. For fiscal year 2003, the District spent the exact set-aside amounts for textbooks and capital improvement. Therefore, no cash balance is carried forward for the next fiscal year. As for budgetary reserve, the District maintains \$358,077 for future use.

Current Financial Related Activities

Geneva Area City School District is strong financially. As the preceding information shows, the District heavily depends on its property taxpayers and State aid. The 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 District's five-year forecast. Even with spending controls in place, the District realizes that it may need to seek additional operating millage by 2006.

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

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually, no additional state revenue will be available to Geneva Area City School District. Thus, both taxes and state revenue are fixed or declining.

The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

In addition, the District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the 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.

This page intentionally left blank.

Geneva Area City School District
Statement of Net Assets
June 30, 2003

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 52,998,702
Cash and Cash Equivalents with Fiscal Agent	15,000
Receivables:	
Taxes	8,076,507
Accounts	38,110
Intergovernmental	263,790
Accrual Interest	157,758
Inventory Held for Resale	25,286
Materials and Supplies Inventory	55,897
Nondepreciable Capital Assets	1,603,725
Depreciable Capital Assets, Net	2,661,078
 <i>Total Assets</i>	 65,895,853
Liabilities	
Accounts Payable	120,042
Accrued Wages and Benefits	2,214,108
Compensated Absences Payable	2,972
Pension Obligation Payable	452,607
Intergovernmental Payable	139,260
Deferred Revenue	4,530,758
Matured Bonds Payable	15,000
Accrued Interest Payable	349,083
Notes Payable	23,110,000
Long-Term Liabilities:	
Due Within One Year	983,642
Due Within More Than One Year	24,849,353
 <i>Total Liabilities</i>	 56,766,825
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,628,492
Restricted for:	
Capital Projects	25,273,513
Debt Service	267,052
Other Purposes	209,775
Unrestricted (Deficit)	(20,249,804)
 <i>Total Net Assets</i>	 \$ 9,129,028

See accompanying notes to the basic financial statements

Geneva Area City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$ 9,825,856	\$ 841,265	\$ 319,822	\$ 623,115
Special	2,384,325	-	611,109	-
Vocational	349,609	-	40,698	8,558
Other	828,570	-	8,456	-
Support Services:				
Pupils	1,465,873	-	25,161	-
Instructional Staff	589,801	-	54,079	-
Board of Education	11,779	-	-	-
Administration	1,440,026	-	58,296	-
Fiscal	400,944	-	-	-
Business	43,273	-	-	-
Operation and Maintenance of Plant	1,642,183	-	27,759	1,773
Pupil Transportation	1,282,998	-	-	52,221
Central	20,327	-	-	-
Operation of Non-Instructional Services	1,257,846	513,537	530,949	-
Extracurricular Activities	540,934	108,662	-	-
Interest and Fiscal Charges	404,365	-	-	-
Loss on Sale of Capital Assets	223,263	-	-	-
	<u>\$ 22,711,972</u>	<u>\$ 1,463,464</u>	<u>\$ 1,676,329</u>	<u>\$ 685,667</u>
<i>Total Governmental Activities</i>				

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Projects

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets Beginning of Year - As Restated (See Note 20)

Net Assets End of Year

See accompany notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental
Activities

\$	(8,041,654)
	(1,773,216)
	(300,353)
	(820,114)
	(1,440,712)
	(535,722)
	(11,779)
	(1,381,730)
	(400,944)
	(43,273)
	(1,612,651)
	(1,230,777)
	(20,327)
	(213,360)
	(432,272)
	(404,365)
	(223,263)
\$	<u>(18,886,512)</u>

\$	6,138,337
	222,961
	1,598,579
	12,355,207
	497,362
	49,040
	<u>20,861,486</u>
	1,974,974
	<u>7,154,054</u>
\$	<u>9,129,028</u>

Geneva Area City School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Construction Project	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 4,082,776	\$ 46,900,573	\$ 1,657,276	\$ 52,640,625
Restricted Cash and Cash Equivalents	358,077	-	-	358,077
Cash with Fiscal Agent	-	-	15,000	15,000
Receivables:				
Taxes	6,086,363	1,626,964	363,180	8,076,507
Accounts	38,100	-	10	38,110
Intergovernmental	-	-	263,790	263,790
Accrued Interest	157,758	-	-	157,758
Interfund Receivable	95,491	-	-	95,491
Inventory Held for Resale	-	-	25,286	25,286
Materials and Supplies Inventory	53,920	-	1,977	55,897
Total Assets	10,872,485	48,527,537	2,326,519	61,726,541
Liabilities				
Accounts Payable	57,902	-	62,140	120,042
Accrued Wages and Benefits	2,056,224	-	157,884	2,214,108
Compensated Absences Payable	64	-	2,908	2,972
Pension Obligation Payable	289,488	-	19,694	309,182
Interfund Payable	-	-	95,491	95,491
Intergovernmental Payable	136,484	-	2,776	139,260
Accrued Interest Payable	-	213,196	-	213,196
Mature Bonds and Coupons Payable	-	-	15,000	15,000
Notes Payable	-	23,110,000	-	23,110,000
Deferred Revenue	3,783,753	1,020,355	340,367	5,144,475
Total Liabilities	6,323,915	24,343,551	696,260	31,363,726
Fund Balances				
Reserved for:				
Encumbrances	303,238	-	2,301,480	2,604,718
Property Taxes	2,331,128	638,363	110,431	3,079,922
Budgetary	358,077	-	-	358,077
Debt Service	-	-	183,979	183,979
Unreserved:				
Undesignated, Reported in:				
General Fund	1,556,127	-	-	1,556,127
Special Revenue Funds	-	-	174,229	174,229
Capital Projects Funds	-	23,545,623	(1,139,860)	22,405,763
Total Fund Balances	4,548,570	24,183,986	1,630,259	30,362,815
Total Liabilities and Fund Balances	\$ 10,872,485	\$ 48,527,537	\$ 2,326,519	\$ 61,726,541

See accompany notes to the basic financial statements

Geneva Area School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances		\$ 30,362,815
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,264,803
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	488,107	
Intergovernmental	125,610	
Total		613,717
Long-term liabilities, including bonds, payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(24,074,990)	
Compensated Absences	(1,758,005)	
Pension Obligation	(143,425)	
Accrued Interest	(135,887)	
Total		(26,112,307)
<i>Net Assets of Governmental Activities</i>		\$ 9,129,028

See accompany 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, 2003

	General	Construction Project	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,075,724	\$ 1,387,405	\$ 390,455	\$ 7,853,584
Intergovernmental	12,341,698	-	1,655,298	13,996,996
Interest	221,784	202,956	25,834	450,574
Tuition and Fees	834,993	-	13,558	848,551
Extracurricular Activities	-	-	107,327	107,327
Food Service	-	-	513,537	513,537
Classroom Materials and Fees	-	-	6,272	6,272
Miscellaneous	32,000	-	4,817	36,817
<i>Total Revenues</i>	<u>19,506,199</u>	<u>1,590,361</u>	<u>2,717,098</u>	<u>23,813,658</u>
Expenditures				
Current:				
Instruction:				
Regular	9,302,685	-	256,544	9,559,229
Special	1,749,094	-	624,831	2,373,925
Vocational	336,950	-	-	336,950
Other	820,114	-	8,456	828,570
Support Services:				
Pupils	1,296,146	-	234,205	1,530,351
Instructional Staff	493,962	-	92,632	586,594
Board of Education	11,779	-	-	11,779
Administration	1,340,756	-	82,506	1,423,262
Fiscal	376,062	15,245	6,452	397,759
Business	43,273	-	-	43,273
Operation and Maintenance of Plant	1,639,608	-	30,687	1,670,295
Pupil Transportation	1,123,569	-	11,470	1,135,039
Central	4,127	-	16,200	20,327
Operation of Non-Instructional Services	27,566	-	1,277,947	1,305,513
Extracurricular Activities	357,812	-	150,134	507,946
Capital Outlay	677,425	276,352	229,916	1,183,693
Dent Service:				
Principal	-	-	100,000	100,000
Interest and Fiscal Charges	-	213,223	59,906	273,129
<i>Total Expenditures</i>	<u>19,600,928</u>	<u>504,820</u>	<u>3,181,886</u>	<u>23,287,634</u>
<i>Excess of Revenue Over/(Under) Expenditures</i>	<u>(94,729)</u>	<u>1,085,541</u>	<u>(464,788)</u>	<u>526,024</u>
Other Financing Sources (Uses)				
Proceed from Sale of Capital Assets	7,820	-	-	7,820
Proceed from Sale of Bonds	-	23,109,990	-	23,109,990
Premium and Accrued Interest	-	18,270	-	18,270
Transfer In	-	-	240,892	240,892
Transfer Out	(240,892)	-	-	(240,892)
<i>Total Other Financing Sources (Uses)</i>	<u>(233,072)</u>	<u>23,128,260</u>	<u>240,892</u>	<u>23,136,080</u>
<i>Net Change in Fund Balances</i>	<u>(327,801)</u>	<u>24,213,801</u>	<u>(223,896)</u>	<u>23,662,104</u>
<i>Fund Balances Beginning of Year, as Restated (See Note 20)</i>	<u>4,876,371</u>	<u>(29,815)</u>	<u>1,854,155</u>	<u>6,700,711</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,548,570</u>	<u>\$ 24,183,986</u>	<u>\$ 1,630,259</u>	<u>\$ 30,362,815</u>

See accompany notes to the basic financial statements

Geneva Area City School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in the Fund Balances of Governmental Funds
to the Statement of Activities*
For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ 23,662,104

***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 these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Assets Additions	1,940,546
Current Year Depreciation	<u>(397,285)</u>

Total 1,543,261

Governmental funds only report the disposal of assets to the extent proceeds are received from that sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Proceeds from Sale of Capital Assets	(7,820)
Loss on Disposal of Capital Assets	<u>(223,263)</u>

Total (231,083)

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

Taxes	106,293
Intergovernmental	97,092
Interest	<u>28,518</u>

Total 231,903

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Proceeds of long-term debt is revenue in the governmental funds as opposed to a liability in the statement of net assets.

Bond Principal Payment	100,000
Bond Proceeds	<u>(23,109,990)</u>

Total (23,009,990)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(131,236)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Pension Obligation Payable	30,579
Compensated Absences Payable	<u>(120,564)</u>

Total (89,985)

Change in Net Assets of Governmental Activities **\$ 1,974,974**

See accompany notes to the basic financial statements

Geneva Area City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenue:</u>				
Taxes	\$ 5,691,258	\$ 6,336,300	\$ 5,831,899	\$ (504,401)
Intergovernmental	11,552,235	11,787,882	12,343,143	555,261
Interest	200,000	160,000	157,912	(2,088)
Tuition	945,514	831,241	835,042	3,801
Miscellaneous	6,600	15,040	6,834	(8,206)
Total Revenues	18,395,607	19,130,463	19,174,830	44,367
<u>Expenditures:</u>				
Instruction:				
Regular	9,653,951	9,526,764	9,307,390	219,374
Special	1,609,151	1,887,997	1,773,051	114,946
Vocational	356,220	371,963	349,628	22,335
Other	829,682	792,419	820,137	(27,718)
Support Services:				
Pupils	1,335,975	1,422,874	1,306,574	116,300
Instructional Support	526,076	542,380	518,426	23,954
Board of Education	25,800	25,800	11,807	13,993
Administration	1,740,698	1,739,698	1,308,254	431,444
Fiscal	399,823	399,823	379,371	20,452
Business	45,000	46,000	45,621	379
Operation and Maintenance of Plant	1,872,375	1,676,524	1,707,339	(30,815)
Pupil Transportation	1,395,730	1,477,308	1,292,602	184,706
Central	4,500	4,500	3,809	691
Operation of Non-instructional Services	44,346	44,346	27,536	16,810
Extracurricular Activities	390,859	390,859	366,045	24,814
Capital Outlay	215,000	697,145	680,072	17,073
Total Expenditures	20,445,186	21,046,400	19,897,662	1,148,738
Excess of Revenues Over/ (Under) Expenditures	(2,049,579)	(1,915,937)	(722,832)	1,193,105
<u>Other Financing Sources/(Uses):</u>				
Proceeds from Sale of Capital Assets	-	-	7,820	7,820
Other Miscellaneous Uses of Funds	-	-	4,318	4,318
Refund of Prior Year Expenditures	10,200	50,195	50,195	-
Refund of Prior Year Receipts	(2,000)	(2,000)	(1,128)	872
Advance In	7,003	7,003	7,003	-
Advance Out	(10,000)	(72,000)	(95,491)	(23,491)
Transfer Out	(220,000)	(228,000)	(240,892)	(12,892)
Total Other Financing Sources/(Uses)	(214,797)	(244,802)	(268,175)	(23,373)
Net Change in Fund Balance	(2,264,376)	(2,160,739)	(991,007)	1,169,732
Fund Balance/(Deficit) at the Beginning of Year, Restated (See Note 19)	4,824,589	4,824,589	4,824,589	-
Prior year encumbrances appropriated	293,868	293,868	293,868	-
Fund Balance/(Deficit) at the End of Year	\$ 2,854,081	\$ 2,957,718	\$ 4,127,450	\$ 1,169,732

See accompanying notes to the basic financial statements

Geneva Area City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private-Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 43,707	\$ 77,416
<i>Total Assets</i>	43,707	77,416
Liabilities		
Accounts Payable	-	130
Due to Other	-	77,286
<i>Total Liabilities</i>	-	\$ 77,416
Net Assets		
Held in Trust for Scholarships	43,707	
<i>Total Net Assets</i>	\$ 43,707	

See accompanying notes to the basic financial statements

Geneva Area City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2003

	Private Purpose Trust
	Scholarship
Addition	
Interest	\$ 1,032
Donations	10,000
<i>Total Addition</i>	11,032
Deduction	995
<i>Change in Net Assets</i>	10,037
<i>Net Assets Beginning of Year</i>	33,670
<i>Net Assets End of Year</i>	\$ 43,707

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, 2003

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Geneva Area City School District (the 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 District's accounting policies are described below.

A. Reporting Entity

The 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 District is a city district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2002, was 3,013. The District employed 196 certified employees and 137 non-certificated employees.

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

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

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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.

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

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

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

Within the 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 District, as directed by the non-public schools.

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

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

B. Fund Accounting

The 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. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the District are group 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.

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 District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

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

Fiduciary Fund Types Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District’s own programs. The 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 District’s agency funds are unclaimed money fund, which accounts for all unclaimed money in the District, and student activities fund which accounts for student activities for students.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

C. Basis Of Presentation

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

The government-wide 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the 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 District.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major 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. Proprietary and fiduciary fund also use the accrual basis of accounting.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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. Any budgetary modifications at this level 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 District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this Certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-- Budget and Actual (Non- GAAP Basis)--All Governmental Fund Types and Expendable Trust Funds" 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

F. Cash and Investments

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

During the fiscal year all investments were limited to certificates of deposit, 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.

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 District, all investment earnings accrue to the General Fund, some Special Revenue Funds, some Capital Projects Funds, and Private Purpose Trust Fund as authorized by board resolution. Interest income earned in fiscal year 2003 totaled \$451,606. Interest revenue credited to the General Fund during the fiscal year amounted to \$221,784; Construction Project Fund, \$202,956; Other Governmental Funds, \$25,834; and Private Purpose Trust Fund, \$1,032.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A fund balance reserve has also been established.

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, 2003, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

J. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2003. 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, 2003 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

K. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building 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 short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

M. Interfund Activity

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

N. Compensated Absences

The 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.

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.

O. Accrued Liabilities and Long-Term Obligations

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

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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, contractually required pension contributions 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 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 and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

S. Estimates

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

Note 2 – Budgetary Basis of Accounting

While the 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Short-term note debt is paid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

Net Change in Fund Balance

Budget Basis	(\$991,007)
Net Adjustment for Revenue Accruals	269,853
Net Adjustment for Expenditure Accruals	706,757
Adjustment for Encumbrances	<u>(313,404)</u>
GAAP Basis	<u><u>(\$327,801)</u></u>

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 3 – Cash and Investments

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

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

Protection of the 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.

Monies held by the 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

- 5) Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- 6) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7) The State Treasurer's investment pool (STAR Ohio);
- 8) Securities lending agreements in which the 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; and
- 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 twenty-five percent 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 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.

Deposits At fiscal year end, the carrying amount of the District's deposits was \$6,057,551 and the bank balance was \$6,415,921, of which \$500,000 was covered by Federal Depository Insurance and \$5,915,921 was uninsured, but collateralized with securities held by the pledging financial institution in the pledging institution's name. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements* requires the District to disclose the carrying amounts and market value of investments classified by risk. Category 1 includes investments that are insured or registered or for which the securities are held in the counter party's trust department or agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

	Category 2	Category 3	Fair Value
Categorized Investments:			
Federal Home Loan Mortgage Corp Notes	\$16,189,446	\$0	\$16,189,446
Federal Farm Credit Bank Bonds	7,000,000	0	7,072,184
Federal Home Loan Bank Bonds	20,764,371	0	25,699,060
HI FI	0	871,093	871,093
Money Market	0	2,237,364	2,237,364
Total Categorized Investments	<u>43,953,817</u>	<u>3,108,457</u>	<u>47,062,274</u>
Total Investments	<u>\$43,953,817</u>	<u>\$3,108,457</u>	<u>\$47,062,274</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9 entitled *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$67,802	\$53,054,098
Certificates of Deposit over 90 Days	5,991,824	(5,991,824)
Cash on Hand	(2,075)	0
GASB Statement 3	<u>\$6,057,551</u>	<u>\$47,062,274</u>

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 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 District was completed in 2002, an update will be done in 2005. The next revaluation is scheduled for 2008.

Real property taxes are payable annually or semi-annually. The first payment is usually due February 14, (and may be paid annually) with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment due April 30, with the remainder payable by September 28.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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

The Ashtabula County Treasurer collects property taxes on behalf of the District and the Ashtabula County Auditor remits the collected taxes to the 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 District prior to June 30, are reflected as a reservation of fund balance. The 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, 2003, taxes available for advance were: General Fund, \$2,331,128; Construction Project Fund, \$638,363; and Other Governmental Funds, \$110,431.

The full tax rate at the fiscal year ended June 30, 2003, for operations was \$45.39 per \$1,000 of assessed valuation. Additionally, the full tax rates for Permanent Improvements and Debt Retirement were \$.85 and \$.74 per \$1,000 of assessed valuation, respectively. The assessed values of real and tangible personal property on which the fiscal year 2003 taxes were collected were as follows:

	<u>2002</u>	<u>2003</u>
Real Property-Commercial/Industrial	\$32,965,240	\$44,593,780
Real Property-Residential/Agricultural	175,887,870	208,886,270
Real Property-Public Utilities	93,620	93,160
Personal Property-General	17,990,250	16,638,520
Personal Property-Public Utilities	<u>17,297,610</u>	<u>16,368,380</u>
 Total Assessed Value	 <u>\$244,334,590</u>	 <u>\$286,580,110</u>

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 5 – Capital Assets

In fiscal year 2003, the District discovered an understatement on the capital assets and misclassification of capital assets. The District also began to depreciate the capital assets in the governmental activities.

	Balance 6/30/2002	Threshold Adjustment	GASB 34 Adjustment	Balance 7/1/2002
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 187,040	\$ -	\$ -	\$ 187,040
Construction in Progress	13,250	-	-	13,250
<i>Total Capital Assets, not being depreciated:</i>	<u>200,290</u>	<u>-</u>	<u>-</u>	<u>200,290</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	4,868,013	(92,815)	-	4,775,198
Other Improvements	334,536	(35,557)	-	298,979
Furniture, Equipment and Fixtures	5,362,536	(1,633,631)	388,252	4,117,157
Vehicles	1,913,288	(237,439)	-	1,675,849
<i>Total Capital Assets, being depreciated:</i>	<u>12,478,373</u>	<u>(1,999,442)</u>	<u>388,252</u>	<u>10,867,183</u>
Less Accumulated Depreciation:				
Building and Improvements	-	-	(4,202,622)	(4,202,622)
Other Improvements	-	-	(276,809)	(276,809)
Furniture, Equipment, and Fixtures	-	354,271	(3,202,409)	(2,848,138)
Vehicles	-	-	(787,279)	(787,279)
<i>Total Accumulated Depreciation</i>	<u>-</u>	<u>354,271</u>	<u>(8,469,119)</u>	<u>(8,114,848)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>12,478,373</u>	<u>(1,645,171)</u>	<u>(8,080,867)</u>	<u>2,752,335</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,678,663</u>	<u>\$(1,645,171)</u>	<u>\$(8,080,867)</u>	<u>\$ 2,952,625</u>

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Capital asset activity for the fiscal year ended June 30, 2003 was as follows:

	Balance 7/1/2002	Addition	Deletion	Balance 6/30/2003
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 187,040	\$ 1,129,233	\$ -	\$ 1,316,273
Construction in Progress	13,250	287,452	(13,250)	287,452
<i>Total Capital Assets, not being depreciated:</i>	200,290	1,416,685	(13,250)	1,603,725
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	4,775,198	67,634	(50,000)	4,792,832
Other Improvements	298,979	279,061	(30,778)	547,262
Furniture, Equipment and Fixtures	4,117,157	157,581	(434,322)	3,840,416
Vehicles	1,675,849	32,835	-	1,708,684
<i>Total Capital Assets, being depreciated:</i>	10,867,183	537,111	(515,100)	10,889,194
Less Accumulated Depreciation:				
Building and Improvements	(4,202,622)	(61,196)	2,083	(4,261,735)
Other Improvements	(276,809)	(25,100)	30,778	(271,131)
Furniture, Equipment, and Fixtures	(2,848,138)	(169,698)	251,156	(2,766,680)
Vehicles	(787,279)	(141,291)	-	(928,570)
<i>Total Accumulated Depreciation</i>	(8,114,848)	(397,285)	284,017	(8,228,116)
<i>Total Capital Assets being depreciated, net</i>	2,752,335	139,826	(231,083)	2,661,078
Governmental Activities Capital Assets, Net	\$ 2,952,625	\$ 1,556,511	\$ (244,333)	\$ 4,264,803

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 114,448
Special	5,909
Vocational	2,468
Support Services:	
Pupil	50,113
Instructional Staff	2,520
Administration	8,946
Fiscal	120
Operation and Maintenance of Plant	17,559
Pupil Transportation	144,588
Operation of Non-instructional Services	22,602
Extracurricular Activities	<u>28,012</u>
Total Depreciation Expense	<u><u>\$ 397,285</u></u>

Note 6 – Receivables

Receivables at June 30, 2003, 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:

Other Governmental Funds:	
CAFS Reimbursement	\$ 13,558
IDEA Grant	62,163
Title I Grant	70,110
Title V Grant	626
Drug Free Grant	2,465
Title II - A Grant	113,211
Title II - D Grant	<u>1,657</u>
	<u><u>\$ 263,790</u></u>

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 7 – Interfund Transactions

A. Interfund Receivable/Payable

The interfund receivable/payable consisted of the following fund at June 30, 2003, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$95,491	\$0
Other Governmental Funds:		
Lunchroom	0	51,985
Uniform School Supplies	0	5,358
IDEA	0	24,835
Title I	0	11,656
Miscellaneous Federal Grants	0	1,657
Total	\$95,491	\$95,491

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

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

	Transfer In	Transfer Out
Major Governmental Fund:		
General	\$0	\$240,892
Non-major Governmental Funds:		
Lunchroom	187,168	0
Athletic and Music	40,461	0
EMIS	13,263	0

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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 8 – Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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, standalone 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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$346,944, \$329,520, and \$254,100, respectively; 44.07 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$194,059 representing the unpaid contribution for fiscal year 2003, including the surcharge, is recorded as a liability.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefits (DB) plan, a Defined Contribution (SC) 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 allowance based on member contributions and earned interest matched by STRS Ohio funds time 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 Combined plan offers features of both the DB plan and DC 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

DC and Combine plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DB plan into the DC plan or the Combined plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the account balance.

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,388,092, \$1,317,888, and \$1,248,421, respectively; 81.38 percent has been contributed for fiscal year 2003, and 100 percent for fiscal years 2002 and 2001. \$258,548 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2003 were \$6,800 made by the District and \$6,907 made by the plan members.

Note 9 – Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$446,173 for fiscal year 2003.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For this fiscal year, SERS employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003 SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$192,288 during the 2003 fiscal year.

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 2003, the superintendent was granted twenty days of vacation and the treasurer was granted ten 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:

Years Service	Vacation Days
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 seventeen percent (17%) of all days accumulated between 201-300

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

days, with the maximum number of retirement pay days at 67. Retirement pay shall be paid in two equal installments in each of the next two Januarys following retirement.

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

Note 11 – Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The 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 District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The District maintains replacement cost insurance on buildings and contents in the amount of \$35,261,436.

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

B. Workers' Compensation

The 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 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 District. An alternate health maintenance plan is also offered to employees through Anthem Blue Cross/Blue Shield.

The District provides dental and life insurance coverage through Anthem Blue Cross/Blue Shield.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 12 – Notes Debts

The District issued two Bond Anticipation Notes of \$15,000,000 and \$8,110,000 in December 2002 and January 2003. Both notes mature on July 17, 2003, with an interest payment of \$231,282.

Note 13 – Long-term Debts

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

	Principal Outstanding 6/30/2002	Additions	Reductions	Principal Outstanding 6/30/2003	Amounts Due in One Year
Governmental Activities					
1997 Library Construction Bonds	\$ 790,000	\$ -	\$ (50,000)	\$ 740,000	\$ 50,000
2002 Library Construction Bonds	275,000	-	(50,000)	225,000	50,000
2003 School Improvement Bonds	-	23,109,990	-	23,109,990	700,000
Compensated Absences	1,637,441	414,300	(293,736)	1,758,005	183,642
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,702,441</u>	<u>\$ 23,524,290</u>	<u>\$ (393,736)</u>	<u>\$ 25,832,995</u>	<u>\$ 983,642</u>

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

The annual maturities of the Library Construction Bonds as of June 30, 2003, and related interest payments are as follows:

	Principal	Interest	Payment
FY2004	\$100,000	\$54,102	154,102
FY2005	100,000	49,353	149,353
FY2006	100,000	44,555	144,555
FY2007	125,000	41,153	166,153
FY2008	50,000	35,290	85,290
FY2009 & Thereafter	<u>490,000</u>	<u>155,733</u>	<u>645,733</u>
	<u>\$965,000</u>	<u>380,186</u>	<u>1,345,186</u>

School Improvement Bonds In May 2003, the 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 percents, and mature in 2031.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

The annual maturities of the School Improvement Bonds as of June 30, 2003, and related interest payments are as follows:

	Principal	Interest	Payment
FY2004	\$700,000	\$513,561	\$1,213,561
FY2005	610,000	866,390	1,476,390
FY2006	620,000	854,190	1,474,190
FY2007	635,000	841,790	1,476,790
FY2008	645,000	829,090	1,474,090
FY2009 & Thereafter	19,899,990	14,027,706	33,927,695
	\$23,109,990	\$17,932,726	\$41,042,716

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the 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 District has no unvoted debt. The District's unvoted debt limit is \$286,580. The voted debt limit at June 30, 2003 is \$25,792,210.

Note 14 – Jointly Governed Organizations and Public Entity Risk Pools

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge.

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 District was represented on the Governing Board during fiscal year 2003. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Ashtabula County Schools Council of Governments The 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 District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Ashtabula County Joint Vocational School District The 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 District has one member as a board representative. The District has no ongoing financial interest or financial responsibility to the Ashtabula County Joint Vocational School District.

Note 15 – Contingencies

A. Grants

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

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

B. Litigation

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

Note 16 – State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 17 – Statutory Reserves

The 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 District may also set aside money for budget stabilization.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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, 7/1/02	\$ -	\$ -	\$ 358,077	\$ 358,077
Current Year Required Set-Aside	411,151	411,151	-	822,302
Current Year Offset Credits	-	(188,147)	-	(188,147)
Qualifying Disbursements	(411,151)	(223,004)	-	(634,155)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,077</u>	<u>\$ 358,077</u>
Cash Balance Carried Forward to FY 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,077</u>	<u>\$ 358,077</u>
Restrict Assets				<u>\$ 358,077</u>

Note 18 – Ohio Schools Council

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

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

Note 19. Fund Deficits

Fund Deficits

Fund balances at June 30, 2003 include the following individual fund deficit:

<u>Funds</u>	<u>Deficit Fund Balance</u>
Non-major Special Revenue Funds	
Lunchroom	\$90,007
Uniform School Supplies	5,356
EMIS	4
Title I	1,422

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

The fund deficit in all funds is the result of the recognition of liabilities in accordance with general accepted accounting principles. Management is analyzing the operations of these funds to determine appropriate steps to eliminate the deficits.

Note 19 – Restatement of Fund Balance on the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual

At June 30, 2002, the general fund’s fund balance was restated on the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual due to the reclassification of funds (See Note 20). The restated fund balance was presented as follows.

	Ending Fund Balance at June 30, 2002	Fund Reclassification	Beginning Fund Balance at July 1, 2002
General Fund	\$ 4,823,349	1,240	\$ 4,824,589

Note 20 – Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles For the fiscal year 2003, the District has implemented GASB No. 34, “Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments”, GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB No. 38, “Certain Financial Statement Note Disclosures”, GASB No. 41, “Budgetary Comparison Schedules – Perspective Differences – an amendment of GASB Statement No. 34”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2002, there was no effect on fund balances as a result of implementing GASB Statements No. 37, 38, and 41.

Restatement of Fund Balances The restatements of fund balance for correction of prior year assets and liabilities, and fund reclassification had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported.

	General Fund	Construction Project	Other Governmental Funds	Total Governmental Funds
Fund Balances at June 30, 2002	\$ 4,875,131	\$ (29,815)	\$ 1,941,780	\$ 6,787,096
Fund Reclassification	1,240	-	(21,702)	(20,462)
Restated Assets	-	-	(94,316)	(94,316)
Restated Liabilities	-	-	28,393	28,393
Fund Balances at July 1, 2002	\$ 4,876,371	\$ (29,815)	\$ 1,854,155	\$ 6,700,711

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

In fiscal year 2003, the Intradistrict Health Club Fund, which previously reported under the Internal Service Fund, was reclassified to the General Fund. In addition, the Lunchroom Fund and Uniform School Supplies Fund, which previously reported under the Enterprise Fund, were reclassified to Special Revenue Funds.

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the changes in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

The transition from governmental fund balance to net assets of the governmental activities is presented as follow:

	General Fund	Construction Project Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances at June 30, 2002	\$ 4,876,371	\$ (29,815)	\$ 1,854,155	\$ 6,700,711
Adjustments:				
GASB No. 34				
Capital Asset				2,952,625
GASB Interpretation No. 6				
Compensated Absences Payable				(1,637,441)
Deferred Revenue				381,814
Intergovernmental Payable				(174,004)
Accrued Interest Payable				(4,651)
Long-term Liabilities				<u>(1,065,000)</u>
Governmental Activities Net Assets at June 30, 2002				<u>\$ 7,154,054</u>

This page intentionally left blank.

GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	-	\$96,389	-	\$96,389
School Breakfast Program	05-PU-02	10.553	\$4,301	-	\$4,301	-
	05-PU-03		25,641	-	25,641	-
Subtotal -- School Breakfast Program			29,942	-	29,942	-
National School Lunch Program	LL-P4-02	10.555	43,308	-	43,308	-
	LL-P4-03		236,657	-	236,657	-
Subtotal -- School National School Lunch Program			279,965	-	279,965	-
Total U.S. Department of Agriculture Nutrition Cluster			\$309,907	\$96,389	\$309,907	\$96,389
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1 02	84.010	(2,234)	-	74,013	-
	C1-S1 03		299,508	-	311,163	-
Total Title I School Subsidy			297,274	-	385,176	-
Special Education Cluster:						
Special Education Grants to States Title VI-B Handicapped Flowthrough	6B-EC-02 P	84.027	15,723	-	73,775	-
	6B-SF 03 P		238,532	-	258,876	-
Subtotal Title VI-B Handicapped Flowthrough			254,255	-	332,651	-
Special Education - Preschool Grant	PG-S1 02 P	84.173	0	-	1,620	-
	PG-S1 03 P		12,103	-	12,103	-
Subtotal Preschool Grant			12,103	-	13,723	-
Total Special Education Cluster			266,358	-	346,374	-
Eisenhower Professional Development State Grant Math and Science Subsidy	MS-S1 01	84.281	(466)	-	3,881	-
	MS-S1 02		1,311	-	11,926	-
Total Math and Science Subsidy			845	-	15,807	-
Safe and Drug Free School and Communities Drug Free Education Subsidy	DR-S1 02	84.186	0	-	808	-
	DR-S1 03		14,381	-	12,379	-
Total Drug Free Education Subsidy			14,381	-	13,187	-
Innovative Education Program Strategies Chapter 2 Subsidy	CS-S1 01	84.298	(\$208)	-	0	-
	CS-S1 02		(456)	-	682	-
	CS-S1 03		19,004	-	16,811	-
Total Chapter 2 Subsidy			18,340	-	17,493	-
Class Size Reduction Subsidy	CR-S1-01	84.340	(5,417)	-	1,020	-
	CR-S1-02		(9,629)	-	8,919	-
Total Class Size Reduction Subsidy			(15,046)	-	9,939	-
Improving Teaching Quality	TR-S1-03	84.367	78,892	-	75,120	-
Title II D	TJ-S1-01	84.318	8,222	-	9878	-
Total U.S. Department of Education			\$669,266	-	\$872,974	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through The Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medicaid - CAFS	n/a	93.778	97,147	-	55,089	-
Totals			\$1,076,320	\$96,389	\$1,237,970	\$96,389

The accompanying notes to this schedule are an integral part of this schedule.

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's Federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

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

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

NOTE C – MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Geneva Area City School District
Ashtabula County
263 Liberty Street
Geneva, Ohio 44030

To The Board of Education:

We have audited the financial statements of Geneva Area City School District, Ashtabula County (the District) as of and for the year ended June 30 2003, and have issued our report thereon dated November 22, 2004. The District also adopted Governmental Accounting Standards Board Statement No. 34 and Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Geneva Area City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Geneva Area City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 22, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 22, 2004



Auditor of State Betty Montgomery

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Geneva Area City School District
Ashtabula County
135 South Eagle Street
Geneva, Ohio 44041

To The Board of Education:

Compliance

We have audited the compliance of Geneva Area City School District, Ashtabula County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Geneva Area City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Geneva Area City School District's management. Our responsibility is to express an opinion on Geneva Area City School District's compliance based on our audit.

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

In our opinion, Geneva Area City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

November 22, 2004

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(i)	Type of Financial Statement opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Educational Cluster CFDA: 84.027, 84.172
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS FOR FEDERAL AWARDS

None

GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2003

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 ' .315 (b)

Finding Number	Finding Summary	Fully <u>Corrected</u> ?
2002-11104-001	Ohio Rev. Code § 5705.41(D), Ohio Rev. Code § 5705.41(B) expenditures exceeding appropriations throughout the year	Partially Corrected. Will cite in Management letter
2002-11104-002	Fixed Asset Management	Partially Corrected. Repeated as a Management Letter recommendation.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2004**