



**Auditor of State
Betty Montgomery**

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

For the Year Ended June 30, 2004

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**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, 2004, 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, 2004, and the respective changes in financial position, and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2005, on our consideration of the Districts 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 also 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

August 1, 2005

Geneva Area City School District
Ashtabula County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

As management of the Geneva Area City School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- For governmental activities, net assets increased nearly \$1 million, which represents a 10 percent increase from 2003.
- General revenues accounted for \$21.4 million in revenue or 85 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.6 million or 15 percent of total governmental revenues of \$25 million.
- The District had \$24 million in expenses related to governmental activities; only \$3.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and grants and entitlements not restricted to specific programs) of \$21.4 million were adequate to provide for these programs.
- Among major funds, the general fund had \$19.6 million in revenues and \$20.2 million in expenditures. The general fund's fund balance decreased to \$3.9 million from \$4.5 million.
- The construction project fund had \$2.3 million in revenue and \$3.9 million in expenditures, which resulted in a decrease of the fund balance from \$24 million to \$22 million.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned by unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include instruction, supporting service, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

The government-wide financial statements can be found on pages 14-15 of this report.

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

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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 basic fund financial statements can be found on pages 16-20 of this report.

Fiduciary Fund Fiduciary fund are used to account for resources held for the benefit of parties outside the government. Fiduciary fund is not reflected in the government-wide financial statement because the resources of these fund is not available to support the District's own programs. The accounting used for fiduciary fund is much like that used for proprietary fund.

The basic fiduciary fund financial statements can be found on page 21-22 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-49 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10 million at the close of the most recent fiscal year.

By far the largest portion of the District's net assets, approximately \$24.6 million, represents resources that are subject to external restrictions on how they may be used. \$22 million is subject to the construction of new high school facility.

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Unaudited

Geneva Area City School District's Net Assets
(In Millions)

	Governmental Activities	
	2004	2003
Assets:		
Current and Other Assets	\$ 37.37	\$ 61.63
Capital Assets, Net Accumulated Depreciation	6.12	4.26
<i>Total Assets</i>	<u>43.49</u>	<u>65.89</u>
Liabilities:		
Current Liabilities	7.95	30.93
Long-term Liabilities	25.49	25.83
<i>Total Liabilities</i>	<u>33.44</u>	<u>56.76</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4.12	3.63
Restricted	24.62	25.75
Unrestricted	(18.69)	(20.25)
<i>Total Net Assets</i>	<u>\$ 10.05</u>	<u>\$ 9.13</u>

An additional portion of the District's net assets, \$4.12 million, reflects its investment in capital assets (e.g., land, buildings, equipments, furniture, and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the District is able to report positive balances in invested in capital assets and restricted net assets. As for unrestricted net assets, the District reports a deficit net asset of \$18.69 million.

The District's net assets increased by \$10 million during the current fiscal year. Most of the increase is attributable to property taxes and unrestricted grants and entitlements.

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Governmental Activities. Governmental activities increased the District's net assets by nearly \$1 million, thereby accounting for 10 percent of the total growth in the net assets of the District. Key elements of this increase are as follows:

- Property taxes and unrestricted grants and entitlements each increased \$0.2 million compared to the prior year.
- Operating grants and contributions for governmental activities increased by \$0.3 million; mostly as a result of an aggressive grant application strategy undertaken by the District during the current fiscal year. The new grant awards furnished resources to support two of the District's function: regular instruction, special instruction and operation of non-instructional service.
- Capital grants and contribution decreased by \$0.6 million. Most of the decrease is the due to the end of State funding for the new high school facility construction.

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 33 percent of revenue for governmental activities for Geneva Area City School District in fiscal year 2004, a slight increase from prior years.

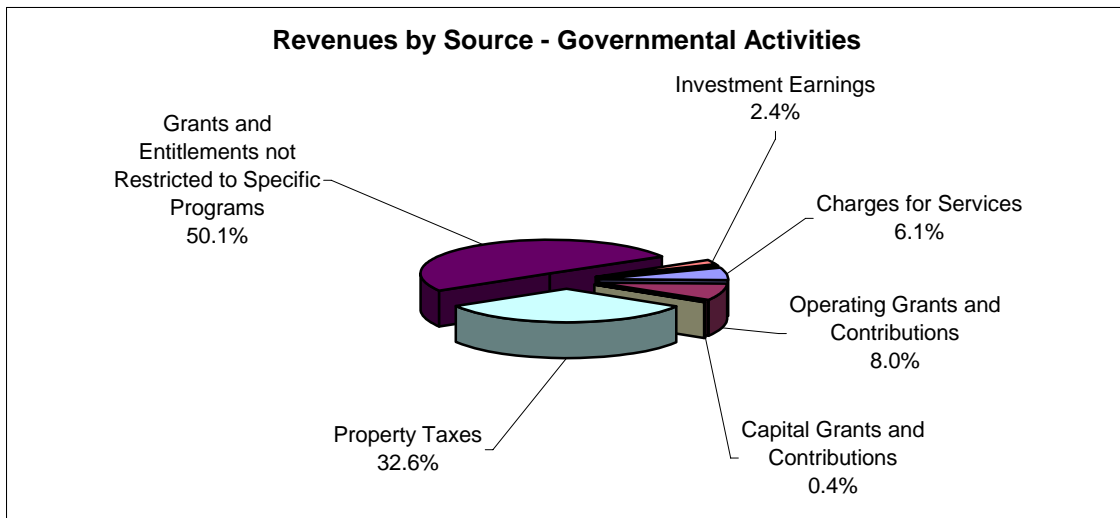
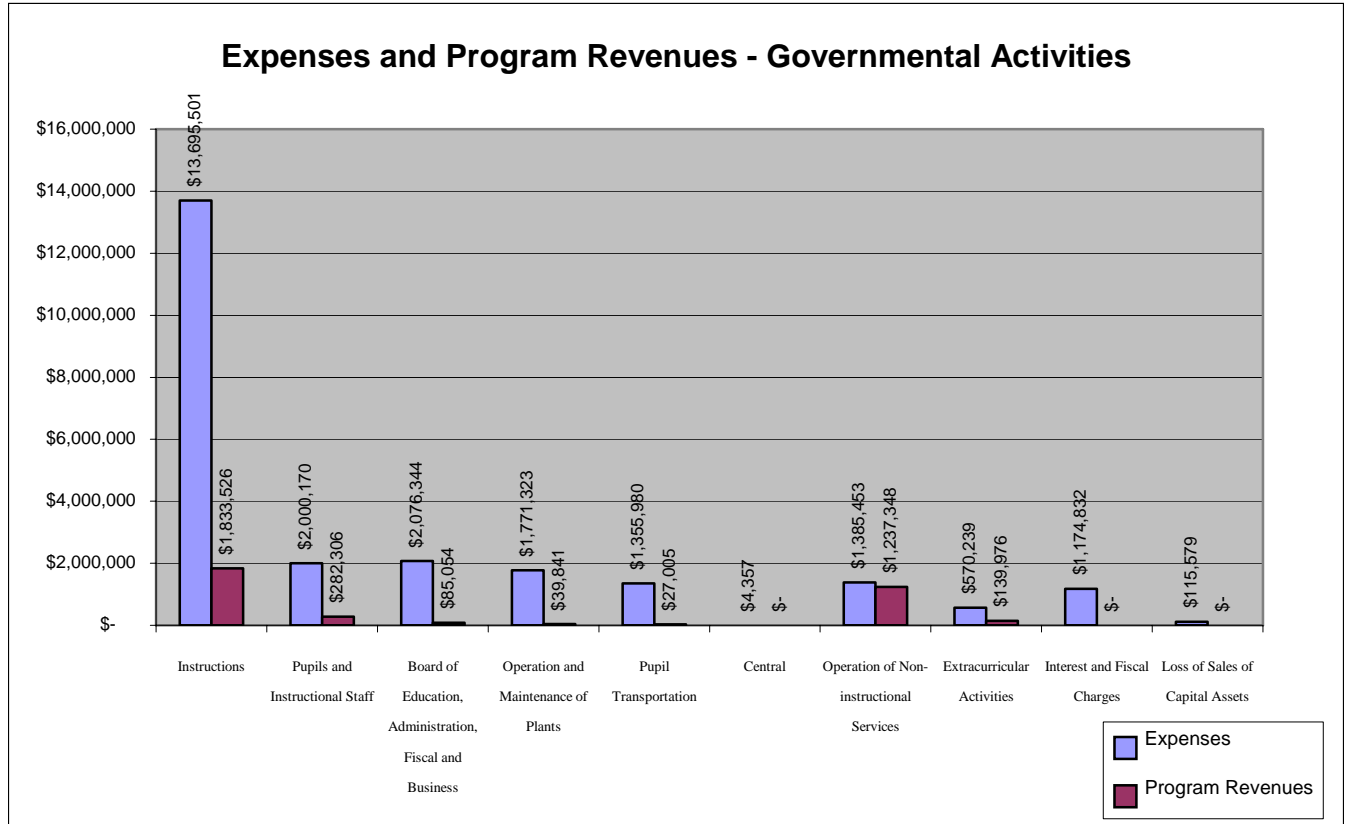
For the most part, increases in expenses closely paralleled inflation and growth in demand for services. The District spent \$24 million in the current year, which was 6 percent more than previous year. Among all expenses, expenses on fiscal and interest charges increased the most, approximately \$0.7 million, to total of \$1.2 million. In addition, instructions and support services each increased approximately \$0.3 million.

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Geneva Area City School District's Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenue:		
Program Revenues:		
Charges for Services and Sales	\$ 1,536,457	\$ 1,463,464
Operating Grants and Contributions	2,014,802	1,676,329
Capital Grants and Contributions	93,797	685,667
General Revenues:		
Property Taxes	8,176,840	7,959,877
Grants and Entitlements	12,579,619	12,355,207
Investment Earnings	591,024	497,362
Miscellaneous	116,089	49,040
Total Revenues	25,108,628	24,686,946
Expenses:		
Instructions:		
Regular	10,006,893	9,825,856
Special	2,591,272	2,384,325
Vocational	319,269	349,609
Other	778,067	828,570
Support Services:		
Pupils	1,374,734	1,465,873
Instructional Staff	625,436	589,801
Board of Education	11,107	11,779
Administration	1,537,976	1,440,026
Fiscal	486,230	400,944
Business	41,031	43,273
Operation and Maintenance of Plant	1,771,323	1,642,183
Pupil Transportation	1,355,980	1,282,998
Central	4,357	20,327
Operation of Non-instructional Services	1,385,453	1,257,846
Extracurricular Activities	570,239	540,934
Fiscal and Interest Charges	1,174,832	404,365
Loss of Sales of Capital Assets	115,579	223,263
Total Expenses	24,149,778	22,711,972
Changes in Net Assets	958,850	1,974,974
Beginning Net Assets	9,097,021	7,154,054
Prior Period Adjustments	-	(32,007)
Ending Net Assets	\$ 10,055,871	\$ 9,097,021

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



Geneva Area City School District
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Financial Analysis of the Government's Funds

Governmental Fund. Information about the District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25.3 million and expenditures of \$27.1 million. The total governmental fund balance decreased \$1.8 million. The net change in governmental fund balance for the year was most significant in the construction project fund, where the construction project fund's net assets decreased by \$1.6 million for fiscal year 2004.

Key factors in this decreased of fund balance for the major governmental funds are as follows:

- While the revenues in General Fund remained relatively same as previous year, the expenditures increased significantly, and it resulted in a net change in fund balance of negative \$0.56 million.
- The Construction Project Fund brought in \$2.3 million of revenue during the current year, but \$3.9 million were spent for the new high school facility, and it decreased the fund balance by \$1.6 million.

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 2004 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 \$18 million, which is \$1 million under the original budget estimate of \$19 million. Of this \$1 million difference, intergovernmental revenue decreased approximately \$1 million over original estimates. The revenue line item fluctuates year to year and is budgeted on a conservative basis to avoid revenue overestimations.

Different between the original budget appropriations and the final amended budget appropriations of the General Fund were approximately \$0.9 million and can be briefly summarized as follows:

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- Instruction decreased approximately \$389 thousand
- Supporting service decreased approximately \$272 thousand
- Capital outlay decreased approximately \$274 thousand

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amount to \$6.1 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, equipment and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was 45 percent.

**Geneva Area City School District's Capital Assets
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 1,316,273	\$ 1,316,273
Buildings and Improvements	452,476	511,994
Other Improvements	247,818	273,869
Furniture/Equipment/Fixtures	881,345	1,063,993
Vehicles	939,181	779,215
Construction in Progress	2,282,200	287,452
Total Capital Assets, Net	\$ 6,119,293	\$ 4,232,796

Major capital asset events during the current year included the following:

- Construction continued for the new high school facilities; construction in progress as of the close of the fiscal year had reached \$2.3 million.
- Six new buses were purchased at a cost of \$334,522 for replacement of six existing buses.

Additional information on the District's capital assets can be found in note 5 of the basic financial statements.

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Debt. At June 30, 2004, the District had \$23,274,990 in general obligation bonds. Of this total, \$710,000 is due within one year and \$22,564,990 is due more than one year. The following table summarizes the bonds and notes outstanding.

Geneva Area City School District's Outstanding Debt
General Obligation Bonds

	Governmental Activities	
	2004	2003
Library Construction Bonds	\$ 865,000	\$ 965,000
School Improvement Bonds	22,409,990	23,109,990
Total	\$ 23,274,990	\$ 24,074,990

The District retired \$800,000 of general obligation bonds. In addition, the District also retired \$23,110,000 of notes debt in fiscal year 2004. Additional information on the District's short-term debt and long-term debt can be found in note 12 and 13 of the basic financial statements.

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 2004, this amounted to \$405,328 for each set aside. For fiscal year 2004, the District carried \$358,077 forward to fiscal year 2004.

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.

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Declining state foundation payments due to increased property valuations provide no significant increase in future revenues. This decline is due to the increasing valuation charge-offs in determining state foundation payments. The increases in property tax revenues are almost offset to decreases in state foundation payments. With its major sources of revenue not keeping pace with expenditure increases, the 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.

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 citizen's, 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, 138 South Eagle Street, Geneva, Ohio 44041.

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Geneva Area City School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 28,267,204
Cash and Cash Equivalents with Fiscal Agent	15,000
Receivables:	
Taxes	8,732,379
Accounts	11,183
Intergovernmental	227,603
Interest	51,815
Inventory Held for Resale	29,413
Materials and Supplies Inventory	42,439
Nondepreciable Capital Assets	3,598,473
Depreciable Capital Assets, Net	2,520,820
<i>Total Assets</i>	43,496,329
Liabilities	
Accounts Payable	485,193
Accrued Wages and Benefits	2,321,877
Intergovernmental Payable	134,442
Unearned Revenue	4,918,665
Matured Bonds Payable	15,000
Accrued Interest Payable	76,428
Long-Term Liabilities:	
Due Within One Year	1,316,933
Due Within More Than One Year	24,171,920
<i>Total Liabilities</i>	33,440,458
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,118,233
Restricted for:	
Capital Projects	24,086,897
Debt Service	326,817
Other Purposes	212,303
Unrestricted (Deficit)	(18,688,379)
<i>Total Net Assets</i>	\$ 10,055,871

See accompanying notes to the basic financial statements

Geneva Area City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 10,006,893	\$ 894,123	\$ 292,712	\$ 15,005	\$ (8,805,053)
Special	2,591,272	-	589,961	-	(2,001,311)
Vocational	319,269	-	32,383	-	(286,886)
Other	778,067	-	9,342	-	(768,725)
Support Services:					
Pupils	1,374,734	-	140,785	51,787	(1,182,162)
Instructional Staff	625,436	-	89,734	-	(535,702)
Board of Education	11,107	-	-	-	(11,107)
Administration	1,537,976	-	85,054	-	(1,452,922)
Fiscal	486,230	-	-	-	(486,230)
Business	41,031	-	-	-	(41,031)
Operation and Maintenance of Plant	1,771,323	-	39,841	-	(1,731,482)
Pupil Transportation	1,355,980	-	-	27,005	(1,328,975)
Central	4,357	-	-	-	(4,357)
Operation of Non-Instructional Services	1,385,453	502,358	734,990	-	(148,105)
Extracurricular Activities	570,239	139,976	-	-	(430,263)
Interest and Fiscal Charges	1,174,832	-	-	-	(1,174,832)
Loss on Sale of Capital Assets	115,579	-	-	-	(115,579)
Total Governmental Activities	\$ 24,149,778	\$ 1,536,457	\$ 2,014,802	\$ 93,797	\$ (20,504,722)

General Revenues

Property Taxes Levied for:

General Purposes	\$ 6,243,927
Debt Service	194,598
Capital Projects	1,738,315
Grants and Entitlements not Restricted to Specific Programs	12,579,619
Investment Earnings	591,024
Miscellaneous	116,089

Total General Revenues 21,463,572

Changes in Net Assets 958,850

Net Assets Beginning of Year, as Restated (See Note 20) 9,097,021

Net Assets End of Year \$ 10,055,871

See accompany notes to the basic financial statements

Geneva Area City School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Construction Project	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,566,687	\$ 22,496,433	\$ 1,846,007	\$ 27,909,127
Restricted Cash and Cash Equivalents	358,077	-	-	358,077
Cash with Fiscal Agent	-	-	15,000	15,000
Receivables:				
Taxes	6,611,779	1,716,299	404,301	8,732,379
Accounts	8,482	-	27,701	36,183
Intergovernmental	-	-	227,603	227,603
Accrued Interest	40,231	1,072	10,512	51,815
Interfund Receivable	16,746	-	-	16,746
Inventory Held for Resale	-	-	29,413	29,413
Materials and Supplies Inventory	40,039	-	2,400	42,439
	<u>10,642,041</u>	<u>24,213,804</u>	<u>2,562,937</u>	<u>37,418,782</u>
<i>Total Assets</i>				
Liabilities				
Accounts Payable	24,755	442,867	17,571	485,193
Accrued Wages and Benefits	2,133,977	-	187,900	2,321,877
Pension Obligation Payable	295,804	-	23,032	318,836
Interfund Payable	-	-	16,746	16,746
Intergovernmental Payable	131,185	-	3,257	134,442
Mature Bonds and Coupons Payable	-	-	15,000	15,000
Deferred Revenue	4,154,956	1,060,283	355,286	5,570,525
	<u>6,740,677</u>	<u>1,503,150</u>	<u>618,792</u>	<u>8,862,619</u>
<i>Total Liabilities</i>				
Fund Balances				
Reserved for:				
Encumbrances	20,457	1,882,664	6,211	1,909,332
Property Taxes	2,491,759	656,016	153,520	3,301,295
Budgetary	358,077	-	-	358,077
Debt Service	-	-	237,180	237,180
Unreserved:				
Undesignated, Reported in:				
General Fund	1,031,071	-	-	1,031,071
Special Revenue Funds	-	-	265,758	265,758
Capital Projects Funds	-	20,171,974	1,256,476	21,428,450
	<u>3,901,364</u>	<u>22,710,654</u>	<u>1,919,145</u>	<u>28,531,163</u>
<i>Total Fund Balances</i>				
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,642,041</u>	<u>\$ 24,213,804</u>	<u>\$ 2,537,937</u>	<u>\$ 37,393,782</u>

See accompany notes to the basic financial statements

Geneva Area City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances \$ 28,531,163

***Amounts reported for governmental activities in the
 statement of net assets are different because***

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 6,119,293

Other long-term assets are not available to pay for current-period
 expenditures and therefore are deferred in the funds.

Taxes	512,419	
Intergovernmental	93,993	
Interest	45,448	

Total 651,860

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	(23,274,990)	
Compensated Absences	(1,750,093)	
Pension Obligation	(144,934)	
Accrued Interest	(76,428)	

Total (25,246,445)

Net Assets of Governmental Activities \$ 10,055,871

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, 2004

	General	Construction Project	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,222,253	\$ 1,562,645	\$ 367,630	\$ 8,152,528
Intergovernmental	12,412,721	183,545	2,095,051	14,691,317
Interest	72,549	482,280	19,265	574,094
Tuition and Fees	887,478	-	-	887,478
Extracurricular Activities	-	-	123,167	123,167
Food Service	-	-	502,358	502,358
Classroom Materials and Fees	-	-	6,645	6,645
Miscellaneous	371	115,718	16,809	132,898
<i>Total Revenues</i>	<u>19,595,372</u>	<u>2,344,188</u>	<u>3,130,925</u>	<u>25,070,485</u>
Expenditures				
Current:				
Instruction:				
Regular	9,593,963	-	327,303	9,921,266
Special	1,980,803	-	586,079	2,566,882
Vocational	348,586	-	-	348,586
Other	768,725	-	9,342	778,067
Support Services:				
Pupils	1,137,722	-	239,028	1,376,750
Instructional Staff	520,039	-	105,218	625,257
Board of Education	11,002	-	-	11,002
Administration	1,435,686	-	84,300	1,519,986
Fiscal	442,066	29,944	10,254	482,264
Business	41,031	-	-	41,031
Operation and Maintenance of Plant	1,690,353	-	39,841	1,730,194
Pupil Transportation	1,539,718	-	-	1,539,718
Central	4,357	-	-	4,357
Operation of Non-Instructional Services	22,751	-	1,350,711	1,373,462
Extracurricular Activities	374,284	-	156,483	530,767
Capital Outlay	25,868	1,994,748	2,258	2,022,874
Dent Service:				
Principal	-	700,000	100,000	800,000
Interest and Fiscal Charges	-	1,180,188	54,103	1,234,291
<i>Total Expenditures</i>	<u>19,936,954</u>	<u>3,904,880</u>	<u>3,064,920</u>	<u>26,906,754</u>
<i>Excess of Revenue Over/(Under) Expenditures</i>	<u>(341,582)</u>	<u>(1,560,692)</u>	<u>66,005</u>	<u>(1,836,269)</u>
Other Financing Sources (Uses)				
Proceed from Sale of Capital Assets	4,617	-	-	4,617
Transfer In	-	-	222,881	222,881
Transfer Out	(222,881)	-	-	(222,881)
<i>Total Other Financing Sources (Uses)</i>	<u>(218,264)</u>	<u>-</u>	<u>222,881</u>	<u>4,617</u>
<i>Net Change in Fund Balances</i>	<u>(559,846)</u>	<u>(1,560,692)</u>	<u>288,886</u>	<u>(1,831,652)</u>
<i>Fund Balances Beginning of Year, as Restated (See Note 20)</i>	<u>4,461,210</u>	<u>24,271,346</u>	<u>1,630,259</u>	<u>30,362,815</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,901,364</u>	<u>\$ 22,710,654</u>	<u>\$ 1,919,145</u>	<u>\$ 28,531,163</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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ (1,831,652)

***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	2,399,311
Current Year Depreciation	<u>(392,618)</u>

Total 2,006,693

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	(4,617)
Loss on Disposal of Capital Assets	<u>(115,579)</u>

Total (120,196)

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

Taxes	24,312
Intergovernmental	(3,099)
Interest	<u>16,930</u>

Total 38,143

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	800,000
------------------------	---------

Total -

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

59,459

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

Pension Obligation Payable	(1,509)
Compensated Absences Payable	<u>7,912</u>

Total 6,403

Change in Net Assets of Governmental Activities \$ 958,850

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, 2004

	Budgeted Amount		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<u>Revenue:</u>				
Taxes	\$ 6,336,392	\$ 6,336,392	\$ 6,061,622	\$ (274,770)
Intergovernmental	11,774,365	10,761,062	12,412,721	1,651,659
Interest	150,000	110,000	109,150	(850)
Tuition	855,489	888,015	887,478	(537)
Miscellaneous	9,980	12,439	7,953	(4,486)
Total Revenues	19,126,226	18,107,908	19,478,924	1,371,016
<u>Expenditures:</u>				
Instruction:				
Regular	10,127,696	9,903,840	9,647,264	256,576
Special	2,198,756	2,092,823	1,952,671	140,152
Vocational	374,372	374,417	344,418	29,999
Other	853,207	793,315	768,667	24,648
Support Services:				
Pupils	1,203,565	1,223,901	1,149,710	74,191
Instructional Support	578,713	579,436	533,920	45,516
Board of Education	21,828	21,828	11,002	10,826
Administration	1,828,872	1,575,509	1,452,692	122,817
Fiscal	422,012	422,183	395,948	26,235
Business	50,000	50,000	45,621	4,379
Operation and Maintenance of Plant	2,090,305	1,913,329	1,678,514	234,815
Pupil Transportation	1,612,643	1,749,927	1,527,909	222,018
Central	6,000	6,000	3,573	2,427
Operation of Non-instructional Services	30,795	30,795	22,392	8,403
Extracurricular Activities	395,442	395,442	378,424	17,018
Capital Outlay	350,329	76,245	25,869	50,376
Total Expenditures	22,144,535	21,208,990	19,938,594	1,270,396
Excess of Revenues Over/ (Under) Expenditures	(3,018,309)	(3,101,082)	(459,670)	2,641,412
<u>Other Financing Sources/(Uses):</u>				
Proceeds from Sale of Capital Assets	-	-	4,617	4,617
Other Miscellaneous Uses of Funds	-	1,028	(114)	(1,142)
Refund of Prior Year Expenditures	51,320	51,320	37,960	(13,360)
Refund of Prior Year Receipts	(2,000)	(2,000)	-	2,000
Advance In	95,491	95,491	95,491	-
Advance Out	(50,000)	(50,000)	(16,744)	33,256
Transfer Out	(240,000)	(240,000)	(222,881)	17,119
Total Other Financing Sources/(Uses)	(145,189)	(144,161)	(101,671)	42,490
Net Change in Fund Balance	(3,163,498)	(3,245,243)	(561,341)	2,683,902
Fund Balance/(Deficit) at the Beginning of Year	4,127,450	4,127,450	4,127,450	-
Prior year encumbrances appropriated	313,404	313,404	313,404	-
Fund Balance/(Deficit) at the End of Year	<u>\$ 1,277,356</u>	<u>\$ 1,195,611</u>	<u>\$ 3,879,513</u>	<u>\$ 2,683,902</u>

See accompanying notes to the basic financial statements

Geneva Area City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 43,314	\$ 82,912
Accrued Interest Receivable	360	-
<i>Total Assets</i>	43,674	82,912
Liabilities		
Due to Other	-	82,912
<i>Total Liabilities</i>	-	\$ 82,912
Net Assets		
Held in Trust for Scholarships	43,674	
<i>Total Net Assets</i>	\$ 43,674	

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, 2004

	Private Purpose Trust
	Scholarship
Addition	
Interest	\$ 1,062
<i>Total Addition</i>	1,062
Deduction	
Scholarship awards	1,095
<i>Change in Net Assets</i>	(33)
<i>Net Assets Beginning of Year</i>	43,707
<i>Net Assets End of Year</i>	\$ 43,674

See accompanying notes to the basic financial statements

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Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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, 2003, was 2,955. The District employed 195 certified employees and 140 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 general purpose 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, 2004

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, 2004

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 board 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, 2004

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. 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, 2004

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 4). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, 2004, but which were levied to finance fiscal year 2005 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, 2004

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, 2004

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 2004 totaled \$575,156. Interest revenue credited to the General Fund during the fiscal year amounted to \$72,549; Construction Project Fund, \$482,280; Other Governmental Funds, \$19,265; and Private Purpose Trust Fund, \$1,062.

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, 2004, 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, 2004

J. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2004. 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, 2004 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:

Description	Governmental Activities Estimated Lives
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, 2004

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, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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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, debt service, budgetary and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budgetary represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 2004.

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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	(\$561,341)
Net Adjustment for Revenue Accruals	(17,003)
Net Adjustment for Expenditure Accruals	63,751
Adjustment for Encumbrances	<u>(45,253)</u>
GAAP Basis	<u><u>(\$559,846)</u></u>

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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;

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- 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 \$5,315,802 and the bank balance was \$7,205,554, of which \$500,000 was covered by Federal Depository Insurance and \$6,705,554 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.

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

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.

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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.

	Category 3	Cost	Fair Value
Categorized Investments:			
Federal Home Loan Mortgage Corp Notes	\$5,870,280	\$5,870,280	\$5,870,280
Federal Home Loan Bank Bonds	14,713,434	14,713,434	14,713,434
HI FI	1,255,601	1,255,601	1,255,601
Money Market	1,251,958	1,251,958	1,251,958
Total Investments	\$23,091,273	\$23,091,273	\$23,091,273

The District recognized an unrealized loss of \$416,286 at the end of the fiscal year 2004. The unrealized loss was a result of decrease in fair market values of the federal home loan mortgage corp notes and federal home loan bank bonds.

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	\$28,408,430	\$0
Federal Home Loan Mortgage Bank Bonds	(5,870,280)	5,870,280
Federal Home Loan Bank Bonds	(14,713,434)	14,713,434
HI FI	(1,255,601)	1,255,601
Money Market	(1,251,958)	1,251,958
Cash on Hand	(2,075)	0
GASB Statement 3	\$5,315,082	\$23,091,273

Funds held by Fiscal Agent The Districts account balance at fiscal year end for the bond and coupon account was \$ 15,000. Collateral is held by a qualified third party trustee in the name of the administrator.

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

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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.

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, 2004, taxes available for advance were: General Fund, \$2,491,759; Construction Project Fund, \$656,016; and Other Governmental Funds, \$153,520.

The full tax rate at the fiscal year ended June 30, 2004, 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 2004 taxes were collected were as follows:

	2004	2003
Real Property-Commercial/Industrial	\$45,849,730	\$44,593,780
Real Property-Residential/Agricultural	211,917,630	208,886,270
Real Property-Public Utilities	97,720	93,160
Personal Property-General	14,502,080	16,638,520
Personal Property-Public Utilities	13,803,400	16,368,380
Total Assessed Value	\$286,170,560	\$286,580,110

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Note 5 – Capital Assets

In fiscal year 2004, the District discovered a mistake on the previous reported balance for capital assets. The beginning balance of the capital assets decreased by \$32,007. Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	Balance 7/1/2003	Addition	Deletion	Balance 6/30/2004
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,316,273	\$ -	\$ -	\$ 1,316,273
Construction in Progress	287,452	1,994,748	-	2,282,200
<i>Total Capital Assets, not being depreciated:</i>	<u>1,603,725</u>	<u>1,994,748</u>	<u>-</u>	<u>3,598,473</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	4,796,592	2,095	-	4,798,687
Other Improvements	547,262	1,545	-	548,807
Furniture, Equipment and Fixtures	3,867,192	66,401	(296,951)	3,636,642
Vehicles	1,708,684	334,522	(215,936)	1,827,270
<i>Total Capital Assets, being depreciated:</i>	<u>10,919,730</u>	<u>404,563</u>	<u>(512,887)</u>	<u>10,811,406</u>
Less Accumulated Depreciation:				
Building and Improvements	(4,284,598)	(61,613)	-	(4,346,211)
Other Improvements	(273,393)	(27,596)	-	(300,989)
Furniture, Equipment, and Fixtures	(2,803,199)	(152,227)	200,129	(2,755,297)
Vehicles	(929,469)	(151,182)	192,562	(888,089)
<i>Total Accumulated Depreciation</i>	<u>(8,290,659)</u>	<u>(392,618)</u>	<u>392,691</u>	<u>(8,290,586)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>2,629,071</u>	<u>11,945</u>	<u>(120,196)</u>	<u>2,520,820</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,232,796</u>	<u>\$ 2,006,693</u>	<u>\$ (120,196)</u>	<u>\$ 6,119,293</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	102,340
Special		6,221
Vocational		2,468
Support Services:		
Pupil		45,815
Instructional Staff		2,520
Board of Education		105
Administration		7,549
Fiscal		120
Operation and Maintenance of Plant		17,923
Pupil Transportation		152,584
Operation of Non-instructional Services		24,145
Extracurricular Activities		30,828
		30,828
Total Depreciation Expense	\$	392,618

Note 6 – Receivables

Receivables at June 30, 2004, 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	\$	41,136
Student Intervention	\$	16,712
Part B - IDEA Grant		77,375
Title I Grant		5,362
Title V Grant		1,460
Drug Free Grant		2,752
Title II - A Grant		82,806
		82,806
	\$	227,603

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Note 7 – Interfund Transactions

A. Interfund Receivable/Payable

The interfund receivable/payable consisted of the following fund at June 30, 2004, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$16,746	\$0
Other Governmental Funds:		
Lunchroom	0	
Uniform School Supplies	0	4,295
IDEA	0	11,695
Title II	0	756
Miscellaneous Federal Grants	0	
Total	\$16,746	\$16,746

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, 2004, consisted of the following, as reported on the fund financial statements:

	Transfer In	Transfer Out
Major Governmental Fund:		
General	\$0	\$222,881
Non-major Governmental Funds:		
Lunchroom	177,747	0
Athletic and Music	32,293	0
EMIS	12,841	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.

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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 10 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, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 8.17 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, 2004, 2003, and 2002 were \$415,828, \$346,944, and \$329,520, respectively; 52.66 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$196,846 representing the unpaid contribution for fiscal year 2004, 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 Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

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DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 member's account balance.

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,375,290, \$1,388,092, and \$1,317,888, respectively; 80.59 percent has been contributed for fiscal year 2004, and 100 percent for fiscal years 2003 and 2002. \$266,924 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 2004 were \$6,395 made by the District and \$7,886 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, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$442,058 for fiscal year 2004.

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STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$368,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay has been established as \$25,400. For the District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$172,528.

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 for the fiscal year ended June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

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 2004, the superintendent was granted twenty days of vacation and the treasurer was granted fifteen days of vacation.

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

Years Service	Vacation Days
1-7	10
8-15	15
16-beyond	20

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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 days, with the maximum number of retirement paid 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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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.

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 matured on July 17, 2003, with the interest payments of \$231,282. The District retired both notes in fiscal year 2004.

Note 13 – Long-term Debts

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

	Principal Outstanding 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amounts Due in One Year
Governmental Activities					
1997 Library Construction Bonds	\$ 740,000	\$ -	\$ (50,000)	\$ 690,000	\$ 50,000
2002 Library Construction Bonds	225,000	-	(50,000)	175,000	50,000
2003 School Improvement Bonds	23,109,990	-	(700,000)	22,409,990	610,000
Pension Obligation	452,607	463,770	(452,607)	463,770	463,770
Compensated Absences	1,758,005	308,101	(316,013)	1,750,093	143,163
Total Governmental Activities Long-Term Liabilities	<u>\$ 26,285,602</u>	<u>\$ 771,871</u>	<u>\$ (1,568,620)</u>	<u>\$ 25,488,853</u>	<u>\$ 1,316,933</u>

Library Construction Bonds: As discussed in Note 1 to the Basic 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, 2004, and related interest payments are as follows:

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
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	50,000	30,240	80,240
FY2010 & Thereafter	<u>440,000</u>	<u>125,493</u>	<u>565,493</u>
	<u>\$865,000</u>	<u>\$326,084</u>	<u>\$1,191,084</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.

The annual maturities of the School Improvement Bonds as of June 30, 2004, and related interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
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	660,000	814,900	1,474,900
FY2010 & Thereafter	<u>19,239,990</u>	<u>13,212,806</u>	<u>32,452,796</u>
	<u>\$22,409,990</u>	<u>\$17,419,166</u>	<u>\$39,829,156</u>

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 \$286,171. The voted debt limit at June 30, 2004 is \$22,430,180.

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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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 2004. 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.

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, 2004.

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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

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.

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, 7/1/03	\$ -	\$ -	\$ 358,077	\$ 358,077
Current Year Required Set-Aside	405,328	405,328	-	810,656
Current Year Offset Credits	-	(181,014)	-	(181,014)
Qualifying Disbursements	(405,328)	(224,314)	-	(629,642)
Total	\$ -	\$ -	\$ 358,077	\$ 358,077
Cash Balance Carried Forward to FY 2005	\$ -	\$ -	\$ 358,077	\$ 358,077
Restrict Assets				\$ 358,077

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.

Geneva Area City School District
Ashtabula County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2004

Note 19. Fund Deficits

Fund Deficits

Fund balances at June 30, 2004 include the following individual fund deficit:

Funds	Deficit Fund Balance
Non-major Special Revenue Funds	
Lunchroom	\$59,132
Uniform School Supplies	4,295
EMIS	15
Student Intervention	4,037
Title I	12,821

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 20 – Restatement of Fund Balances and Net Assets

A. Fund Balances

In fiscal year 2003, the District recorded the accrual interest receivable incorrectly. The restatements of fund balance for correction of prior year accrual assets had the following effect on the fund balances of the major funds of the District as they were previously reported.

	General Fund	Construction Project
Fund Balances at June 30, 2003	\$ 4,548,570	\$ 24,183,986
Restated Assets	(87,360)	87,360
Fund Balances at July 1, 2003	\$ 4,461,210	\$ 24,271,346

B. Net Assets

In fiscal year 2004, the District discovered an overstatement of its previously reported capital assets. The beginning net assets was reduced by \$32,007 and restated at \$9,097,021.

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**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	-	\$123,413	-	\$123,413
School Breakfast Program	05-PU-03 05-PU-04	10.553	\$10,823 44,847	-	\$10,823 44,847	-
Subtotal -- School Breakfast Program			55,670	-	55,670	-
National School Lunch Program	LL-P4-03 LL-P4-04	10.555	95,378 298,426	-	95,378 298,426	-
Subtotal -- School National School Lunch Program			393,804	-	393,804	-
Total U.S. Department of Agriculture Nutrition Cluster			449,474	123,413	449,474	123,413
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1 03 C1-S1 04	84.010	70,110 378,347	-	58,454 330,267	-
Total Title I School Subsidy			448,457	-	388,721	-
<i>Special Education Cluster:</i>						
Special Education Grants to States Title VI-B Handicapped Flowthrough	6B-SF-03 P 6B-SF 04 P	84.027	62,163 304,291	-	41,819 315,985	-
Subtotal Title VI-B Handicapped Flowthrough			366,454	-	357,804	-
Special Education - Preschool Grant	PG-S1 04 P	84.173	12,063	-	11,858	-
Total Special Education Cluster			378,517	-	369,662	-
Safe and Drug Free School and Communities Drug Free Education Subsidy	DR-S1 03 DR-S1 04	84.186	(687) 15,025	-	1,315 14,918	-
Total Drug Free Education Subsidy			14,338	-	16,233	-
Innovative Education Program Strategies Chapter 2 Subsidy	C2-S1 03 CS-S1 04	84.298	(427) 18,081	-	1,767 18,837	-
Total Chapter 2 Subsidy			17,654	-	20,604	-
Title II-D Technology	TJ-S1-03 TJ-S1-04	84.318	1,657 10,386	-	1 9,986	-
Total Title II-D Technology			12,043	-	9,987	-
Title II-A - Improving Teacher Quality State Grants	TR-S1-03 TR-S1-04	84.367	35,237 140,032	-	30,995 128,374	-
Total Title II-A			175,269	-	159,369	-
Total U.S. Department of Education			1,046,278	-	964,576	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through The Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medicaid - CAFS		93.778	30,473	-	141,655	-
Totals			\$1,526,225	\$123,413	\$1,555,705	\$123,413

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, 2004**

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

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Geneva Area City School District, Ashtabula County (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 1, 2005. The District also adopted Governmental Accounting Standards Board Statement No. 34 and Implementation 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated August 1, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated August 1, 2005, we reported other matters related to noncompliance we deemed immaterial.

Geneva Area City School District
Ashtabula County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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

August 1, 2005



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 apply to its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures 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 the District's compliance with those requirements.

As described in item 2004-001 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management applying to its Title I – Grants to Local Educational Agencies and Title II Part A – Improving Teacher Quality State Grant programs. Compliance with those requirements is necessary, in our opinion, for the District to comply with requirements applicable to the Title I and Title II Part A programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Geneva Area City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 1, 2005.

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

August 1, 2005

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

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	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I: CFDA # 84.010 and Title II A: CFDA # 84.367
(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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2004-001
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA # 84.010 and Improving Teacher Quality State Grants (Title II Part A) CFDA # 84.367
Federal Award Number / Year	044057; C1-S1-04/ 2004 044057; TR-S1-04/2004
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-compliance Citation - Cash Management Improvement Act

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

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

Geneva Area City School District was under the advance basis assistance for Title I (CFDA # 84.010) and Title II Part A (CFDA #84.367) for fiscal year 2004. During fiscal year 2004, the District requested funds using the Project Cash Request forms (PCR). There were eight instances in Title I and five instances in Title II Part A where the amount requested was not spent or obligated within the month requested which is an indication that the expenditures or obligations were not being met on a timely basis as required by the provisions of Cash Management. By not minimizing the time between the transfer of funds and subsequent disbursement, the District maintained cash balances in excess of their immediate needs.

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2004**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	Adhere to the provisions of the Cash Management provisions and not request federal funds until needed in order to have the time lapse between receiving said funds and expending them be at a minimum.	Immediately	Kevin Lillie - Treasurer



**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
SEPTEMBER 13, 2005**